

Exploring the improvement of the decentralized Supply Chain Management, its systems and processes in support of the strategic objectives of Parliament.

by

Nomxolisi Nobukhosi Okojie

*Thesis presented in partial fulfilment of the requirements for the degree
Masters in Public Administration in the faculty of Management Science
at Stellenbosch University*



Supervisor: Prof Evangelos Mantzaris

March 2017

DECLARATION

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (safe to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Date: March 2017

Copyright © 2017 Stellenbosch University

All rights reserved

ABSTRACT

Procurement has been designed to redress **some of** the imbalances of the past; however, this **policy instrument** is being abused in some institutions around the country. This abuse has caught the eye of the Minister of Finance who, a few years ago, appointed a Chief Procurement Officer (**CPO**). This office of the CPO is within the National Treasury and it is tasked with ensuring that procurement, currently known as supply chain management (SCM), is properly managed. One of the causes of deficiency within the SCM environment is decentralisation. This is a method used by various institutions, including Parliament.

Decentralisation means that every office is able to procure its own goods and services. This may result in procedures not being followed properly because the people who are trained in **procurement or SCM** reside in the SCM office. When procedures are not followed properly, this may result in **awards of bids** being made incorrectly, leading to irregular expenditure and possibly qualified audit opinions. The National Treasury has established a central database for all suppliers. This may curb **some of** the inconsistencies currently experienced; however, each institution still procures its own goods and services. **In the case of Parliament**, the database is not being used yet and with programmes in place that take Parliament to the rural areas, the central database may not be **efficient**.

This study aims to give recommendations to ensure the SCM Section is able to support Parliament in meeting its strategic **objectives**. The study takes into consideration the unique status of Parliament as a People's Parliament and as such it needs to put people at the centre of its operations. This study also wishes to show that as much as the SCM environment is decentralised in Parliament with **the necessary** controls in place, there has been an improvement in ensuring that the SCM unit is able to play its strategic support **role** without compromise.

OPSOMMING

Verkryging is ontwikkel om die ongelykhede van die verlede aan te spreek. Huidiglik kan daar nie veel goeie dinge gesê word oor hoe die metode misbruik is in sekere instellings dwarsoor die land nie. Die misbruik het die oog van die Minister van Finansies gevang wie so 'n paar jaar gelede 'n Hoof van **Verkrygingsbestuur** aangestel het. Die kantoor is binne die Nasionale Tesourie en is gemoed om te verseker dat verkryging, soos dit huidilik bekendstaan as Voorsienings bestuursketting (VBK) behoorlik bestuur word. Een van die grootste oorsake van tekortkomminge binne die VBS omgewing, is gedentraliseer. Dit is die metode wat deur die meeste instellings gebruik word, insluitend Parlement.

Desentralisasie beteken dat elke kantoor verantwoordelik is **om** sy eie goedere en dienste aan te koop. Dit mag lei tot inkorrektures wat gevolg word, want die persone wie opgelei is om goedere aan te koop, is in die VBS kantoor gesetel. Wanneer die prosedure nie reg nagekom word nie, mag dit lei tot verkeerde tender toekennings. Dit mag lei tot ongereguleerde uitgawes. Dit mag ook lei tot gekwalifiseerde oudit menings. Die Nasionale Tesourie het 'n sentrale databasis vir alle voorsieners van goedere. Dit mag in 'n mate die ongelykhede wat huidiglik ondervind word verhoed, maar instellings verkry nog steeds hul eie goedere en dienste. In die geval van Parlement is die databasis nog nie in gebruik aangesien dit nie vir Programme soos die Neem die Parlement na die mense in plaaslike areas on-effektief **en endoeltreffend** mag wees.

Die aanbevelings wat in die studie gemaak word is om te verseker dat die **VBK** afdeling by magte is om die Parlement te ondersteun om hul strategiese doelwitte vir elke Parlement te bereik. Die studie het die unieke status van Parlement in aggeneem deurdat dit 'n Parlement vir die mense is en so moet dit die mense in die middle van sy funksies plaas. Die studie wil ook bewys dat, alhoewel die **VBK** omgewing gedentraliseer is, daar kontrole in **plek** is wat die vooruitgang van die **VBK** eenheid verseker om sodoende sy strategiese ondersteunings rol vervul sonder kompromie.

ACKNOWLEDGEMENTS

I hereby wish to thank God Almighty for the wisdom, guidance and strength during the time of my study. When I was busy with my second chapter, I tragically lost my dear mother who was secretly planning a party for me for when I'd finished my paper. I am grateful to her all the days of my life.

I also wish to thank my husband, my children and our church members who had to, most of the time, do without me. My husband's understanding and support during this time is dearly appreciated. He is always my pillar of strength and his prayers and patience are amazing. I hope that my hard work encourages my children to go far with their studies. Lastly, I am grateful to my employers for giving me this opportunity. To Professor Evan, my Supervisor, your guidance and support cannot be measured. This is only the beginning: This project is going far. Education can never lose power.

TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT	iii
OPSOMMING	iv
ACKNOWLEDGEMENTS.....	v
LIST OF FIGURES.....	x
ACRONYMS	xi
CHAPTER 1: INTRODUCTION	1
1.1 Introduction	1
1.2 Rationale and Background	1
1.3 Research Problem.....	2
1.4 Research Objective	3
1.5 Research Design	3
1.5.1 Observation.....	4
1.5.2 Interviews.....	4
1.5.3 Focus Groups.....	4
1.5.4 Documentation	5
1.6 Data Analysis.....	5
CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK	6
2.1 Introduction	6
2.2 Governance and Control in SCM and Procurement Systems	7
2.3 Key Challenges of Supply Chain Management.....	10

2.4 Location	11
2.5 The Combination of Centralised and Decentralised SCM Systems	13
2.6 Standardisation	14
2.7 Summary	16
CHAPTER 3: LEGISLATIVE FRAMEWORK GOVERNING SUPPLY CHAIN MANAGEMENT	
(SCM)	17
3.1 Introduction	17
3.2 The Constitution	17
3.3 Public Sector Procurement Reform Legislation	17
3.4 Preferential Procurement Policy Framework Act (No. 5 of 2000)	18
3.5 The Financial Management of Parliament and Provincial Legislatures (Act 10 of 2009)	18
3.6 Supply Chain Management (SCM) Regulations	19
3.7 The Transitional Arrangements	20
3.8 Procurement Delegation of Authority	20
3.9 Summary	21
CHAPTER 4: RESARCH METHODS	22
4.1. Introduction	22
4.2 Case Study and the Qualitative Paradigm	22
4.3 Content Analysis	24
4.4. Face-to-Face Interviews	24
4.5 Analysis of Data	26
4.6 Observation	27
4.7 Focus groups	27

4.8 Documentation.....	28
4.9 Sampling Frame	28
4.10 Ethics.....	29
4.11 Chapter Summary	29
CHAPTER 5: THE SUPPLY CHAIN MANAGEMENT (SCM) SYSTEMS OF PARLIAMENT	31
5.1 Introduction	31
5.2 Demand Management	33
5.3 Acquisition System	33
5.4 Logistics.....	34
5.5 Risk Management.....	34
5.6 Supply Chain Performance	35
5.7 The Supply Chain Management Committee System Section 41.....	35
5.8 Bid Specification Committee (BSC)	35
5.9 Bid Evaluation Committee (BEC).....	36
5.10 Bid Adjudication Committee (BAC)	36
5.11 The ICT System Oracle (Parliament's ERP system)	36
5.12 The SCM Office and its Structure	36
5.13 Decentralisation	37
5.14 Centralisation	38
5.15 Summary	38
CHAPTER 6: ANALYSIS OF DATA	39
6.1	
Introduction.....	39

6.2 1st Audit Firm Supply Chain Management Project	39
6.3 2nd Appointment, Assessment and Report	40
6.4 Lessons Learnt	40
6.5 interview Responses	41
6.6 Interview with Chairperson of a Key SCM Committee	46
6.7 The Focus Groups	47
6.8 The Interviews	49
6.9 SCM in Parliament: Thoughts, Dissection, Functions, Challenges and Interpretation	51
6.9.1. Problems and Challenges.....	51
6.10 Conclusions and Recommendations	56
APPENDIX A	60
APPENDIX B.....	63
REFERENCES.....	66

LIST OF FIGURES

Figure 2.1: The Present Institutional System	7
Figure 5.1: The Supply Chain Management Office and its Structure	32

ACRONYMS

AG:	Auditor-General
APP:	Annual Performance Plan
BAC:	Bids Adjudication Committee
BBBEEA:	Broad-Based Black Economic Empowerment Act (BBBEEA) (Act 53 of 2003)
BEC:	Bids Evaluation Committee
BSC:	Bids Specification Committee
CFO:	Chief Financial Officer
CIPS:	Chartered Institute of Procurement
CPO:	Chief Procurement Officer
ERP:	Enterprise Resource Programme
FMO:	Finance Management Office
FMPAL:	Financial Management Act of Parliament and Legislature
GAC:	Governance Assurance Committee
ICT:	Information and Communication Technology
PFMA:	Public Finance Management Act
POs:	Presiding Officers
PPFA:	Preferential Procurement Policy Framework
SLA:	Service Level Agreement
SCM:	Supply Chain Management

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

The procurement system is the system used to process SCM requests from when the need is identified until the goods and services are acquired whilst the process is the method applied to acquire the goods and service. The supply chain management (SCM) section of Parliament is there to provide support and ensure that Parliament's strategic objectives are met. The biggest challenge is that procurement is decentralised. Decentralisation means anyone, whether skilled in SCM, or not can do his/her own procurement.

1.2 RATIONALE AND BACKGROUND

The National Parliament's Supply Chain Management policy has a long and diverse history. For many years it was singularly based on a holistic approach that did not include procurement systems, even after the new policy was adopted in 2009.

The key legislation dictating public finances, the Public Finance Management Act (PFMA) (RSA 1999), was the vital cornerstone of the institution's policy guidelines until 2009. The lack of compliance to these guidelines led to severe criticism emanating from the yearly reports of the Auditor-General. The reports identified gaps, weaknesses and omissions in the functions and operational realities of the public finance system.

The institution's systems and operational imperatives regarding the terms and electoral processes are identified clearly in the country's laws. As evaluation and monitoring initiatives are undertaken throughout the Parliamentary term, strategic plans are debated and adopted as Parliament aspires to become a beacon of hope through public participation. The 2009-2014 Strategic Plan aspired to improve and considerably increase the levels of public participation through a general mobilisation of sector parliaments, additional number of public platforms and the improvement of existing processes. One of the key strategic objectives was to utilise existing resources in order to elevate the effectiveness of services to all members of the institution through the adoption of new innovative programs. It can be understood that the procurement process is instrumental in the effort leading to the success of such programs. The contribution of SCM function is vital.

For the programs to be successfully implemented, the key functions, priorities and imperatives of procurement services need to be effective in terms of logistics, risk, demand and supply, sourcing,

travel, and acquisition. These processes are the foundations of a solid, professional and risk-mitigated SCM operation. This means that there cannot be a successful implementation of a strategic objective with the absence of an effective SCM system that is operationally solid and functional, and where internal and external controls are efficiently and centrally monitored through updated technological systems. Such functions and processes are instrumental in limiting not only human errors or weaknesses, but more importantly to act as a shield against possible fraud, extortion, manipulation and/or corruption.

These need to be supplemented by a technologically advanced system that provides direct and continuous access to all financial reports in a department or section of the institution. The Parliament has introduced such an Oracle ICT system for a number of years now. Through the system's updating of reports, the relevant evaluation and monitoring authorities are able to assess the progress of designated programs.

A wide array of administrative officials in the senior management cadre, as well as Secretary to Parliament (STP), are obligated to follow the process through direct access to the systems. This process is undertaken through the maintenance of all records and reports for a period of five years, including all present and past contracts for purposes of monitoring, assessment and evaluation.

A committee system exists as instrumental in assisting the procurement process, especially in connection with services such as travelling, a function that is at present decentralised despite the fact that the delegation system lacks coherence in terms of the relationship of duties and responsibilities of officials.

1.3 RESEARCH PROBLEM

Despite the fact that the Parliament of the Republic of South Africa has been in operation for more than 22 years, the reality is that its SCM operational systems are still in a continuous process of development. In 2015, a series of positive steps led to the introduction and implementation of the new SCM Regulations. These Regulations are applicable to all Provincial Legislatures, with one of the pillars representing future staff excellence through continuous program upgrading and staff training once weaknesses and gaps in the system have been identified.

The basic and fundamental problems upon which this project is based can be listed as follows:

1. How functional are the present parliamentary SCM systems?

2. How successful are these systems in their mission to serve the institution and those working in it?
3. Are their services in accordance with one of the key **principles / objectives** of the Batho Pele Principles, i.e. value for money?
4. Is the current **decentralised SCM environment able to support the strategic objectives of Parliament?**
5. What are the key challenges in respect of **the** current status of operating in a **decentralised SCM environment?**
6. What are the major gaps, weaknesses and challenges evident, its processes and systems?

1.4 RESEARCH OBJECTIVE

The key objective is the identification and analysis of weaknesses, gaps and deficiencies in the functions and processes of the supply chain management system currently used in South Africa's National Parliament through a comparison of the present de-centralised version of **the SCM** system versus the centralised alternative.

1.5 RESEARCH DESIGN

In researching the case study of the supply chain systems of the South African (SA) Parliament, the researcher has combined a number of empirical designs. The project is based on a combination of collection and analysis of primary and secondary data, including official documents of the institution, relevant legislation, policies, rules and regulations related to supply chain management and procurement systems, performance management plans, Auditor-General reports up to 2014, forensic reports produced by professional audit firms for Parliamentary oversight, as well as other available reports.

In addition, structured one-on-one interviews were conducted with key decision makers in Parliament. This included the management team, members of the SCM Committees, and senior members in the core and non-core business. A focus group **discussion** also took place, consisting of eight senior and middle managers. The methods used are further explained in the following sections.

1.5.1 Observation

As the researcher was working directly with all sections, it was important for participant observation to take place that would be supplemented by face-to-face interviews with key respondents. The participant observation took place in all sections and units within the institution. The observation was more on units that procure goods and services outside the SCM section of Parliament. This observation was important in that it gave the researcher an understanding of how these units procure goods and services on a daily basis.

1.5.2 Interviews

Open-ended, qualitatively based interviews are the major empirical tool for this project. Despite the existence of secondary and primary documents, including forensic reports, interviews with managers operating within the system are vital, because these participants have first-hand experience of the department/section strategic and tactical significance, and also its operational imperatives. Interviews with senior managers in both Parliamentary establishments/Houses will add their experiences of the services provided by the Department, and its effectiveness and efficiency, to the study. Interview schedules appear at the end of the paper. The interviews with various members of the SCM committees including the secretariat played a very important role in getting undiluted views about the procurement processes. These are very senior managers who get frustrated whenever there are delays in their procurement requests. Interviewing them assisted in giving them answers to many questions and perceptions that they had.

1.5.3 Focus Group

One focus group **discussion** took place, consisting of senior SCM officials in Parliament. This is a group that is tasked with moving the SCM function forward and it is important that they share their views, understanding and expectations. The researcher spent time in each unit under the SCM section. The frustration experienced by the employees especially in the strategic sourcing unit, the unit that deals with daily sourcing, tenders, procurement for events and management of contracts. This group is tasked to verify and confirm accuracy of procurement scores from other units in Parliament.

1.5.4 Documentation

There have been a number of primary and secondary data documents made available that deal with a number of issues directly and indirectly related to the systems, functions, gaps, strengths and weaknesses of the SCM processes, departments and sections. Such documents include internally and externally commissioned audit reports dealing with strategic plans and SCM priorities and realities.

These were thoroughly scrutinised from a comparative perspective. This means that findings are based on the same methodological empirical design, but different and widely diversified sources of information.

1.6 DATA ANALYSIS

The analysis of data was based on the qualitative frame of reference. While the interviews took place, the researcher made extensive notes. The same process was followed during the focus group discussions.

It is strongly believed that this process was successful in gathering data revolving around knowledge of the environment, personal and professional experience, attitudes, opinions and ideas. The belief is based on the knowledge that the questions have been set as directly related to all aims and objectives of the project. This means that the process of analysis was principally, but not exclusively, based on the categorisation of data after their collection according to the chosen empirical framework.

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

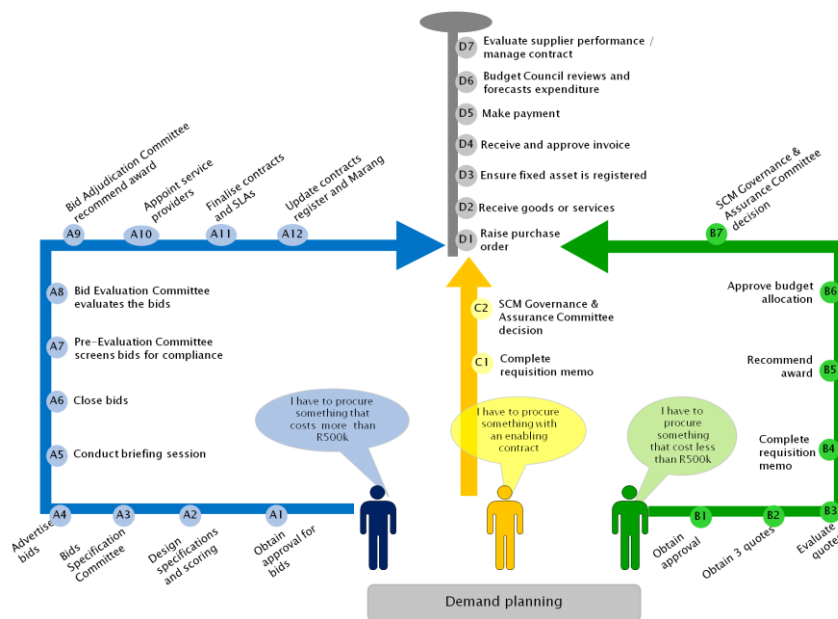
2.1 INTRODUCTION

In 2009, the key legislation outlining the fundamentals of Parliament's financial guidelines was promulgated. The supply chain management section of the Financial Management of Parliament Act (FMPPLA) of 2009 ("**the Act**") specifies that it is the prerogative of the Executive Authority to prescribe a SCM policy that sets in motion the dictates of Section 65 of the **FMPPLA** (RSA, 2009). These dictates are the foundations of:

- The establishment of a set of SCM processes and systems that determine the appropriate function of demand and acquisition, logistics and disposal, continuous management of risk situations, as well as performance assessment, monitoring, and evaluation and compliance with all relevant legislation, rules and regulations.
- All of the above need to be in accordance with the specifications of Schedule 3 of the Act.
- The planning and implementation tool of the supply chain management dictates processes and systems and are in Section 4 of the Act.
- The Accounting Officer of the institution has the responsibility to ensure that the existing systems operate successfully and deal efficiently with potential challenges and risks after regular assessments of the systems, processes and functions, as per Section 15 of the Act.
- It is up to the Accounting Officer to report to the relevant authorities as to whether the legally bound prescriptions of SCM processes have been followed in relation to the expected and planned objectives.

In 2011 a new set of special delegations were adopted and approved by the Presiding Officers (PO's). The new guidelines provide for a new, transformation-driven procurement system that makes obligatory policies and rules that need to be followed when targeting rural areas for goods and services. The new directives are in accordance with the Constitution's institution and dictates and strategic objectives of Parliament.

The transitional arrangements resulted from serious debates and deliberations amongst key role players from the **PO's**, senior administrators and the Auditor-General (AG). The graph below depicts the present institutional system that is the core subject of this research.

Figure 2.1: The present institutional SCM system (Ernst & Young 2011 IFMEP Project)

2.2 GOVERNANCE AND CONTROL IN SCM AND PROCUREMENT SYSTEMS

The supply chain management system of any organisation relies heavily on management and control, which are the two fundamental elements of functionality and success. Given the influence of a complex market, a proactive strategic procurement operation can present the organisation with the opportunity to plan and implement strategies that reduce waste and inefficiencies. This implies that strategies along with strategic considerations need to be integrated into the existing legal frameworks, rules and regulations, for these to succeed (Emmett, 2008:32-33).

Parliament's SCM and procurement system, like all similar systems in the public service, faces challenges and opportunities resulting from increasing changes in the existing market value chain and differentiation in the marketplace. This means that it is essential to continuously re-assess strategies after thorough assessments, evaluations, and monitor the effectiveness of these strategies based on current and anticipated future business environments and challenges (Sartor, et al., 2013).

For these to become a reality, renewed and reshaped strategies leading to an increase in overall operational efficiency have become non-negotiable, alongside a renewed focus on an improved bottom-line as a guide to efficiency and effectiveness. Such strategies enable public institutions to transform and adopt a long-term strategic approach within an engaging and facilitating environment (Mantzaris, 2013).

International research in both private and public sectors has shown that at present, supply chain management faces substantial challenges. Such research points to the fact that a small number of large companies control valuable technology and work with key suppliers, but there are many others that also need this technology and access to these suppliers in order to support their future and continuous growth. Such realities point to the fact that an institution, such as Parliament, needs to become pro-active, strategic, tactical and also need to research, design, plan and implement strong and implanted partnerships with major suppliers in order to develop its capabilities and capacities (Luzzini, et al., 2013).

The SCM and procurement process is more functional when its operational dynamics are founded on the cycle of identification, response, mitigation, transference and monitoring. Monitoring, information collection, review and corrective action are key instruments of success in the continuous pursue of excellence when dealing with quality, price, capacity constraints, and design issues. These factors ultimately constitute the foundation of success or failure for a project (Emmett, 2010).

In all these organisational and institutional synergies the underpinning final and desired outcome is strategic procurement that is rooted in basic principles and organisational capacities and capabilities leading to an overall efficiency created through well planned and executed, long-term, integrated strategies guided by a well-organised, research-based group function as a driving force. Parliament is a political and social institution serving all citizens of the country, hence SCM and procurement are but one of the key ingredients of political and social transformation. These are 'change agents' that operate to work hand in hand with all stakeholders and role players in the public and private domains, through a process that aspires to redefine traditional operating models for value creation.

Hence, in this equation the SCM and procurement in Parliament needs to adjust to existing market conditions and adopt strategically operational procurement methodologies. SCM and procurement units must research and concentrate on strategic sourcing models that require a detailed spend analysis and the development of detailed category plans. In many ways these can be considered key inputs in the efforts to choose the most appropriate strategy, and are instrumental in building a capable and empowered procurement organisation wherein each procurement employee is responsible for all facets of operations. Institutions and organisations, including the South African Parliament, need to develop long-term partnerships with suppliers and other service providers through continuously strengthening their market intelligence using extensive research, clear vendor pre-qualification criteria, and periodic evaluation and feedback mechanisms. (Baily, 2008:32-33). If these processes are lacking, risks abound (Booth, 2010).

Coordination between procurement with research and that of development is a major challenge and an international necessity, as one cannot exist without the other. When the cooperation and coordination is absent, functional and structural breakdowns in the overall supply chain are inevitable. This means that the research and development teams, when they exist, are responsible for analysing the existing market conditions, creating portfolios of evidence, and taking into account competitive and market conditions. Under circumstances of existence, sourcing units are developed and coordinate the institution's procurement activities through the inclusion of functional project managers and representatives from departments such as system support and quality control.

When operational, the existing inspection teams and systems assess potential service providers' financial eligibility, supply capacity and quality assurance systems, monitor the supplied products and assesses how the company functions overall. One of their key monitoring activities is response to the needs of particular markets in different geographies by a supplier. This inspection system needs to be accompanied by a risk management and control plan, which allows the supplier to quickly identify risks and deploy third parties to investigate and analyse issues (Quelch & Knoop, 2009:83-84).

Because of their centrality in the system, these elements and their key ingredients need to be communicated to all stakeholders of the system in totality so that accountability, transparency, good governance and the Batho Pele principles are abided by. Once these elements are evident, there are strong possibilities that the dictates of the relevant legislation, and rules and regulations are being followed. This means that instances of political or administrative interference that are irregular and/or illegal can be lessened or even eliminated.

It is important that supply chain management officials follow the required policies, rules and regulations. However, when they also acquire the necessary skills to understand the particularities of the markets and their mechanisms, contractual obligations and service level agreements, requirements for competition and possible collusions and the essence and importance of bid documents, suppliers or officials who are tempted to engage in fraud and corruption can be stopped (Woods & Mantzaris, 2012:114).

There has been a sector of professional opinion that believes the complexity of supply chain management demands in the public sector is higher when compared to the private sector (Larson, 2009:222). Such a position is adopted based on the assertion by the school of New Public Management that citizens are the 'customers of the state' and the government, as the elected representative of the people, is the body with the political oversight of the administrative

organisational stream that manages service delivery. In line with this, government contracts that are generally much larger in volume in comparison to those in the private sector are controlled by a number of clear cut requirements, principles, policies, rules and regulations, meaning that first and foremost they must be equitable as the country's Constitution dictates (Bolton, 2006:223-224; Ambe, et al., 2011:1100-1102).

On the other hand, the private sector concentrates chiefly on the maximisation of profit. This means that the functions and responsibilities of the respective supply chain systems do differ; although in both cases they are basic **organisational** key strategic planners (Smart Procurement, 2011).

2.3 KEY CHALLENGES OF SUPPLY CHAIN MANAGEMENT

Financial instabilities in the world markets, the globalisation of trade and industry, and key developments in technological advances have led to new responsibilities, duties and initiatives for both the private and the public sectors. These in turn have posed new challenges to supply chain systems and the procurement arrangement. This means that new burdens of duties and responsibilities have fallen on the shoulders of organisational leaderships, as realities throughout the sectors change radically, and existing assumptions have become a thing of the past (Pauw, 2011; Pauw & Wolvaardt, 2009:73-74).

As the conditions change and are transformed due to societal and economic developments, the organisational imperatives that accompany such realities differ in the terrain of supply chain management as it is an organisational necessity, a systemic combination of interrelated functions and a combination of activities. Its success can only be guaranteed by high skills, exceptional coordination, and continuous training and upgrading of systems, functions and activities (Fawcett, et al., 2007; Hommen & Rolfstam, 2009:19-20).

Despite these imperative realities for the success of such a system, official state reports have indicated that there are barriers to the achievement of excellence in the SCM systems. These are due to a lack of both leadership and functionaries regarding fundamentals in planning, designing and implementation of decisions. These shortcomings are as a result of dysfunctional organisational settings and systemic weaknesses, lack of leadership, absenteeism, demotivation and a lack of job satisfaction (Public Sector Supply Chain Management Review, 2015).

The lack of high technological equipment in the relevant departments also has negative repercussions in most cases when considering functions and processes, such as the creation, maintenance and upgrading of databases, updated information, communication channels, price

comparisons, and supply and demand data in regard to services and products. When such weaknesses exist, there are possibilities that communication, transformation and equity, which are by far the most important ingredients of the country's Constitution (Section 127) and the PPPFA, are not implemented in terms of the developmental role of SCM systems. This is the reason why the components of legal, financial, technological and knowledge management need to be treated holistically (Boateng, 2008).

The successful combination of these skills, or lack thereof, becomes evident in the case of the technological advancements relating to database systems that need to be operated by a competent, technologically advanced person. The same can be said in relation to the knowledge, expertise and experience of the person who deals directly with legal issues. There have been cases where a lack of knowledge or experience in terms of legal details has led to serious negative repercussions, such as expensive court cases (Bajari & Tadelis, 2006).

The abovementioned realities point to the significance of cooperation, coordination and synergy within the organisational environment, the establishment of multiple communication patterns and continuous upgrading of existing skills at all levels (Cabrales, Lavado & Cabrera, 2008).

2.4 LOCATION

Within the context of this project it is important to establish a theoretical and empirical base of centralised and decentralised supply change management systems, as well as their differences in operational terms. It has been written that in an organisation utilising a centralised SCM system the key and final decisions are planned, designed and implemented by the purchasing department, which has the absolute control from start to finish in terms of purchases at all organisational layers (Grasman, Faulin & Lera-Lopez, 2008). According to its supporters and implementers, such a system helps an organisation to standardise sources, streamline and control spending patterns, processes and outcomes, as well all levels and variations of key ICT decisions. The proponents of the system strongly believe that such a continuum is instrumental in creating and improving at all levels of economic, financial, technical and knowledge, producing outputs including economies of scale (Enporion, 2009).

The proponents of the system also pinpoint a number of potential advantages, such as an expansion, maintenance and further development of the base of suppliers and potential suppliers, streamlining of operational needs and imperatives, and the expansion of the knowledge and expertise base.

However, empirical research has shown that such a system might not **necessarily** be ideal, especially in the case of organisations that are multi-layered and hence complex in organisational terms. Due to their multi-layered nature, such organisations could face technical, functional and operational difficulties and challenges due to a number of reasons, such as corruption, political interference, tax implications or policy directives that conflate local and central procurement (Larson, 2009:226).

Empirical research has also shown that organisations that use this system have faced problems associated with corruption in terms of spending patterns, violation of policies, rules and regulations, functions and implementation that dents performance and ends up as costly. Despite these problems, there have been many organisations, including countries, that have shown preference for the system because of its 'closed nature', as it assures the implementers that all functions, processes and systems are operated and controlled by its leadership and officials without the interference of outsiders (Beamon, 1998:290-292).

The proponents of the system strongly believe that centralised procurement is instrumental to increase savings through central and bulk purchase and strong and decisive bargaining with the potential supplier in terms of price. Such assumptions, however, demand skills, knowledge and knowledge management, streamlined delegation of powers within the department and its sections, streamlined monitoring and evaluation, knowledge of policies, rules and regulations, and direct or indirect contact with those who exercise political oversight in the case of a public sector organisation. When these prerequisites are fulfilled, it is easier for errors to be avoided as each case can be adequately scrutinised and committees can be streamlined accordingly (Emporion, 2009)

There is the tendency for organisations operating in a decentralised mode to prefer the autonomy of SCM systems and operational technological decisions where the responsibility lies with the section manager. It is believed that such a structure is instrumental in speeding up processes and creates a better work environment through the elimination of bureaucratic hurdles in the systemic process that characterise centralised SCM and procurement organisational models. Decentralised models occasionally tend to lack coordination at a number of levels, especially in the case of a fairly complicated organisation, despite the fact that they have optimal effects on individuals. This means that a decentralised operation has in most cases produced optimal results in the case of independent, autonomous or relatively autonomous organisations and this a key reason why it is not chosen by a number of other organisations (Duan & Liao, 2013:288-289).

In the public service environment in South Africa, a large number of state entities at all government levels have learnt the intricacies of these systems the hard way. During the annual audit period, the

reality is that whatever system is in place, it is the supply chain management and procurement section, its leadership and staff that are held to account. Despite the fact that many government organisations use consultants, in the end the risk or reality of a qualified audit by the Auditor-General lies not with the type of applicable system, but on the understanding, planning and implementation of decisions in accordance with the existing policies, rules and regulations (Mantzaris & Pillay, 2013).

2.5 THE COMBINATION OF CENTRALISED AND DECENTRALISED SCM SYSTEMS

A centralised organisational **system** basically attempts to implement SCM methods in corporate-based decisions, guided by strategic imperatives rooted in knowledge management and sharing. The tactical steps are undertaken by the various business sections in an organisational model that is founded on the implementation of the best practices and advantages of both SCM systems outlined above. This means that in a centralised operation, strategic commodities predominate in decision-making process because they are the centres of centralised sourcing (Saharidis, 2009:118-119).

This means that individual units source categories that are considered non-strategic and such an operation increases organisational and operational effectiveness. This leads to a decrease in procurement costs and individual units have the opportunity and ability to react effectively and timely with potential changes in the terrain of supply and demand. Such a division of operational imperatives can be instrumental in streamlining operations, as performance is enhanced. A centralised system makes possible the development and expansion of a functionally efficient team operating within organisational parameters and characterised by a flexible process that does not deviate from policies, rules and regulations (Chang & Harrington, 2000:1429-1431).

Despite its reliance and adherence to policy dictates, such a system is able to maximise efficiency because it operates at local level and utilises incentives rooted in the benefits of an integrated SCM system. Through effective IT implementation, this SCM system coordinates and guides existing and future processes.

It is possible for a combination of centralised and decentralised systems to be combined successfully under certain circumstances (Varma, et al., 2007:693-4). This can occur when section staff is deployed to different units associated with the procurement functions and cycle. Such a possibility needs to be based on agreement by the respective section management, as there are probabilities of such an exchange deviating from supply chain management processes. This combined system can become a reality in cases of urgency, which is a frequent occurrence for a number of departments

within the organisation, and when delegated decisions are needed so the processes can be completed timeously (Chen & Chen, 2005:3193-3195). Such a system can only be successful when assessed and monitored, because it is occasionally open to abuse. It has been argued that decentralised systems are better utilised under conditions of urgency and strict, tight deadlines. However, in most cases, special delegations have been and can be withdrawn if corruption is detected (Stadtler, 2005:578).

2.6 STANDARDISATION

The general and widely accepted position in SCM and procurement literature is that standardisation of the process is a near necessity in an organisation. It is believed that such a step will be organisationally beneficial in terms of saving time, costs and for increase in economy of scale (Nikolopoulou & Lerapetritou, 2012:187-8).

In the case of Parliament, internal correspondence has revealed evidence that the approved Supply Chain Management Regulations have not been implemented. This means that the institution has not implemented existing rules and regulations approved by the Executive Authority, and thus there exist inconsistencies in the implementation of SCM processes that have led to serious problems, including deficiencies in accountability arrangements and instances of non-compliance. It can be understood that the controls that should be implemented as obstacles to abuse and fraud and corruption have either been weak or non-existent due to a lack of leadership and poor management. This confirms the non-existence of risk management mechanisms and processes, with the result that functions and processes of SCM are continuously exposed to the threat of abuse and corruption. In addition, there is no evidence of risk mitigation measures due to the lack of compensating controls (Lee & Kim, 2007:235-236).

This reality raises the question over the non-requirement of the institution to follow the regulations and guidelines issued by the National Treasury. Rather, Parliament and its political and administrative leadership are compelled to identify and implement their own internal control frameworks. It would be advisable for the institution to follow the National Treasury regulations that are clear-cut and provide an adequate and well-thought out division of duties and responsibilities for designated management and employees in the SCM systems, as well as clear definitions in respect of control and risk management and other policies and guidelines. Such an undertaking has the potential to convince everyone that the leadership of Parliament has realised the crucial significance of the adoption and implementation of strategic initiatives in regard to internal controls, and their capabilities for positive influence emanating from the implementation of such initiatives.

An anticipated adoption and implementation of this nature would be instrumental in contesting the present state of immunity from punishment experienced by those who mismanage and abuse supply chain systems, functions and processes. Such **a step** would result in a significant cultural and organisational change at the institution, as it would enforce the importance of risk management and monitoring systems that could ultimately lead to compliance (Chopra & Miendl, 2003:348-350).

These are issues demanding immediate attention, as the importance of Parliament as the law making and oversight authority of the country means that it cannot allow SCM systems to suffer within its own operational domain. Existing weaknesses need to be tackled head on, as technicalities associated with existing manual contract systems, contract values, monthly reports and similar details of out-dated realities are currently limiting the budgeting and audit functions and the opportunities for abuse are on the increase (BCBS, 2003:1-2).

New systems that are adopted could easily be linked to processes associated with a decentralised SCM system. This system could be operational in a much more balanced environment that can further assure effectiveness and transparency in the process. This performance will be continuously monitored in terms of key elements vital in the SCM systemic environment, such as price, quality, transparency, fairness and time frames. When these imperatives are in place, there are strong possibilities that savings can be achieved, effectiveness and efficiency can return, and issues such as irregular or wasteful expenditure can become a thing of the past (Wan Weele, 2009).

On the other hand, as has been stated previously, it is important that supply chain management systems operate under the constitutional dictates of social and economic transformation relating to economic and social inequalities and legacies. In this case it is imperative that the dictates of Section 217 of the Constitution become part and parcel of every SCM terrain and that employees are aware and sympathetic to these realities and understand the significance of the beneficiaries, in the form of the previously disadvantaged, who are entitled to reap the benefits of government's procurement strategies and legislation.

The implementation of any good budget, even one that is the result of a laborious and successful strategic plan, is doomed to failure without comprehensive, effective and efficient supply chain management and a procurement system that is able to honestly and efficiently utilise functions, processes and resources, not necessarily in that order (Schuh, 2009). Such a system will require a number of non-negotiable elements, such as adequate, ethical and skilled resources, efficient functions and experience, and moral leadership in order to thrive. Performance management systems and continuous assessment and monitoring of functioning systems are also important, as

are codes of conduct and clear-cut anti-corruption mechanisms identifying procedures for disciplinary actions against corrupt employees at all levels (Hoffmann, Schiele & Krabbendam, 2013). Without these fundamentals in place, the SCM system will be under-resourced, with loose organisational systems and processes, unskilled, lowly educated leadership lacking experience, high staff turnover, and lack of technologically advanced machinery.

2.7 SUMMARY

Parliament is a key institution in the social, political and economic life of all South Africans, as it is the law-making institution in the country. It is important for the institution and its functions to be ethical, transparent, accountable and rooted in the principles of Batho Pele ('people first'). This means that the SCM unit, as one of the most important departments of the Parliament of South Africa, needs to be fully functional, operational and equipped with solid professional and organisationally solid principles.

Chapter three of the thesis will provide a legal and policy background upon which SCM systems and processes are based. It will also explore existing literature on the matter. As the thesis progresses, the researcher will analyse the secondary data available, interview key players in the entire chain as well as conduct a focus group.

CHAPTER 3: LEGISLATIVE FRAMEWORK GOVERNING SUPPLY CHAIN MANAGEMENT (SCM)

3.1 INTRODUCTION

This chapter describes the laws governing procurement in South Africa. Before Parliament had its own Financial Management Act, it operated in the spirit of the Public Financial Management Act, (Act of 1999). All the other laws have been and are still applicable to all decisions pertaining to procurement. In 2009, Parliament's own Financial Management Act was passed and, following this, both Parliamentary Houses in 2013, passed Parliament's SCM Regulations.

3.2 THE CONSTITUTION

The Constitution of the Republic of South Africa (Act 108 of 1996) (RSA, 1996) Section 217(1) lays the foundations for procurement and determines that:

"When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective."

3.3 PUBLIC SECTOR PROCUREMENT REFORM LEGISLATION

The nature of the legislative and other frameworks of supply chain management systems and procurement has been characterised by government objectives aimed at social and economic transformation with an emphasis on black economic empowerment. This reality has been evident in the policy directions of government, which basically target success through a mixed economy as identified in the RDP (the Reconstruction and Development Program), which lasted one and a half years and was followed by GEAR (the Growth, Employment and Redistribution Strategy).

There was a commendable effort to elevate the skills development pool in all layers of the state machinery . This was enacted through a widely publicised campaign promoting adherence to the highest levels of international standards, good governance, accountability, transparency and public participation (Public Sector Supply Chain Management Review, 2015:13-15). Supply chain management and procurement were to be the epitome of organisational excellence and good governance using a collaborative effort that would be able to strategically connect supply chain systems' excellence, streamline and decrease costs, add value in a competitive environment and be in the forefront of public service reform. Such a successful process would value competence,

cooperation, transparency and accountability, leading it to be in the forefront of effective and ethical governance, as well as instrumental in social and economic transformation and empowerment (Boateng, 2008).

3.4 PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (NO. 5 OF 2000)

In September 2003, the adoption of a document entitled *Policy to Guide Uniformity In Procurement Reform Processes in Government* paved the way for the immediate implementation of a supply chain management system at all layers of government (Bolton, 2006). The decision was based on the belief that such a step would lead to uniformity of the SCM system across government departments in accordance with the Public Finance Management Act. Section 76(4)c of this Act states that:

"The National Treasury may make regulations or issue instructions applicable to all institutions to which this Act applies concerning the determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective."

Following the adoption of this document, National Treasury issued a Regulation that sets the strategic parameters and framework for a general and uniform supply chain management and procurement system. The key leadership figure within a government department or parastatal is the Accounting Officer. This is the person responsible for setting up and overseeing an accountable, well-organised, transparent, cost effective, efficient and competitive SCM office. (PFMA Section 38 1(a) (iii)).

3.5 THE FINANCIAL MANAGEMENT OF PARLIAMENT AND PROVINCIAL LEGISLATURES ACT (10 OF 2009)

The Financial Management of Parliament and Legislatures Act (No. 10 of 2009) (RSA 2009), also known as the FMPPLA, was promulgated in order to guide, assess, monitor and in many ways play a regulatory role in respect of the financial affairs of the Parliament. In this sense, the legislation leads the way for institutions, especially the National Parliament, to ensure that the vital financial ingredients upon which they base their existence and functions, are dealt with in a transparent, effective, efficient and reliable manner. This means that the persons dealing with issues of expenditure, revenue, liabilities and assets will have the necessary ethics, experience, skills and moral authority to ensure that the financial standards, oversight and monitoring that will be filtered into all Provincial Legislatures, are of the highest standards. Chapter 6 of the FMPPLA covers the supply chain management of Parliament and the implementation thereof. It deals with the specifics

and details of the responsibilities of supply chain management systems in respect of procurement, as well as procedures associated with the institution's assets and similar transactions.

The Executive Authority of Parliament is also required to implement a transparent, honest, cost effective, cost-saving, equitable SCM policy (Section 65), that shields the institution from corrupt practices and is based on impeccably high ethical behaviour, along with a code of conduct that is strict on cases of nepotism, conflicts of interest and collusion. For these principle and legal dictates to become an organisational reality, the appropriate SCM systems should include all functions, procedures and processes that are directly related to supply and suppliers, demand, acquisition, disposal, acquisition, services, risk and performance management, monitoring and evaluation, assessments and legislative compliance (FMPPLA Schedule 3). It is the Accounting Officer's duty to ensure the appropriate implementation of the SCM and procurement policy and ensure that the functions, processes and mechanisms operate to maximise the implementation of anti-corruption measures against greed, avarice and fraud, nepotism, factionalism, dishonesty, wasteful expenditure, and tenderpreneurship (Section 41). When such an organisational environment becomes a reality, irregular practices are eliminated and enforcement of honest practices prevails. In this reality, monitoring services assess the performance of both staff as well as service providers and keep the Executive Authority abreast of developments at all operational levels.

Section 42 of FMPPLA delegates the power to deal with the unsolicited supply of goods or services to the Executive Authority, while Section 43 points out that the Accounting Officer is obligated to make the Auditor-General aware, through formal correspondence, in cases where a tender is awarded to a different bidder than the one recommended by the relevant committee. Section 44 is very clear that no Member of Parliament (MP) may be a member of an evaluation committee or participate as an observer, evaluate tenders or contracts, or bid for goods and/or services to Parliament. It should be noted that it is illegal for MPs in the National Parliament, a Cabinet member, a Member of Provincial Legislature in all provinces, a municipal councillor, or a state employee at any layer of government to bid for a tender. Section 45 states that there should be no interference or undue influence in the parliamentary system, including interference with the dictates of the PPFFA and/or BBBEE Act.

3.6 SUPPLY CHAIN MANAGEMENT (SCM) REGULATIONS

Parliament's SCM Regulations (2014) were promulgated in March 2014. Section 4(1) of the said Regulations states that it is the responsibility of the Accounting Officer to build a Parliamentary SCM function that includes all statutory steps, starting with demand management and ending with risk management and assessment, monitoring, and evaluation of the overall performance requirements.

This is further elaborated on later in the research. In addition, the section leader is obligated to create a number of committees that will oversee the quality of the procurement process, starting with the tender bid process, evaluation and adjudication.

3.7 THE TRANSITIONAL ARRANGEMENTS

The transitional arrangements were approved in June 2011, and deal with transformation and economic empowerment initiatives in the country's rural areas. The arrangements were conceived and planned in such a way as to ensure that the procurement process and its outcomes empower rural communities, economically and socially, through job creation and opportunities.

It can be understood that such a humane and innovative programme was to be well researched and planned, due to the difficulties created by geographically long distances and the resulting logistical challenges and problems. The special delegations paved the way for the institution and the relevant sections to deviate from 'established'/regulatory SCM and procurement **process** and provided the opportunity for rurally-based service providers to take advantage of the opportunities to bid for services and goods that were previously closed to them.

3.8 PROCUREMENT DELEGATION OF AUTHORITY

The Accounting Officer has the delegated authority to approve contracts of staff members via the 2011 SCM Policy. This was approved by the Executive Authority in 2009 and its main objective is to guarantee goods and services. This delivery of goods and services can be achieved through a carefully planned and implemented system wherein the processes of clear-cut budget designing and implementation are instrumental in sourcing services and goods. Such a system is expected to accommodate new ideas and plans in terms of sourcing and outsourcing goods and services, as well as create well thought out inventories and enforcement rules that have previously been absent. It was suspected that previously the Executive Authority had not been well versed in the realities of the outside markets or international developments in technology and other areas. Hence, the institution faced a number of problems and challenges in terms of levels of competitiveness and cost effectiveness. This led to problems in terms of processes and functionality as the Procurement Committee appointed service providers and suppliers.

This SCM policy ensures that role players participate within the governance chain of SCM and the procurement system, with the responsibility ultimately resting with the Secretary to Parliament as the Accounting Officer. The policy also states that there needs to be standardisation in terms of all contracts signed, as well as service level agreements within the SCM system. This process ensures

transparency in procurement, price levels, and delivery schedules, and abiding by the equity and development imperatives of transformation. The policy must be read in conjunction with other policies, such as policies on asset management. Using this policy, Parliament can ensure that the integration of systems is informed by continuous and appropriate risk consideration, better planning and budgeting, and clear communication and coordination with both internal and external stakeholders.

3.9 SUMMARY

The above sections detail the laws, regulations, policies and procedures regulating the SCM functions in Parliament, keeping in mind that Parliament is a complex institution in that it covers the local, provincial and national spheres of government of the Republic of South Africa. The Regulations have been written in such a way that it covers all the communities, even those in deep rural areas. The SCM Regulations' approval should have meant the disposal of the SCM policy and the transitional arrangements, as both are affected in the Regulations. However, some areas have not been covered by the Regulations. In these instances, the SCM Policy closes the gaps. In addition, the current financial delegations are in the process of being replaced by new ones, which are still in draft form.

CHAPTER 4: RESEARCH METHODS

4.1 INTRODUCTION

Every researcher is aware that there exists a very wide range of research methods available to them, and it is thus important to understand the differences between the various research methods, and appreciate the advantages and disadvantages associated with each one. In this chapter, the researcher will focus on the research methods employed when collecting and analysing the data for this study.

It is crucial for the researcher to select the method that is most likely to meet the objectives of the research. This ultimately means that the type of information essential for the study's success will determine the type of the research method to be employed. In most occasions, it is dangerous to apply a single method for each and every problem, as applying the same research tool to each situation will be irrelevant and will not produce the desired results (Bless & Higson-Smith, 1995).

4.2 CASE STUDY AND THE QUALITATIVE PARADIGM

The case study method enables a researcher to closely examine the data within a specific context. Crowe, et al. (2011) describes this as a research approach that is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context. According to Baxter and Jack (2008:12, quoted in Silverman 2005), a case study design should be considered when:

7. The focus of the study is to answer 'how' and 'why' questions;
8. There can be no manipulation of the behaviour of those involved in the study;
9. Covering contextual conditions is crucial in the understanding of the phenomenon examined, or
10. The boundaries are not clear between the phenomenon and context.

For the purpose of this project a case study has been selected as one of the methods of contextualising and understanding the dynamics of the SCM realities in Parliament. The study employed a mixed methods approach with emphasis on the qualitative paradigm through the utilisation of a combination of qualitative approaches within different phases of the research process. These include participant observation, face-to-face interviews, focus group and content

analysis of primary and secondary sources, such as official reports, strategic plans and auditor's forensics (Terrell, 2012). This study utilises, what can be called, an 'interpretative' approach and perspective that becomes a reality through the in-depth interviews, focus-group type of interviews and the study and dissection of key policy and other documents where the key idea of interpretation rests in the understanding and dissection of the existing subjective meanings (Goldkuhl, 2012). This is the basis of the analysis within the environment of an institution that aspires to be transparent, accountable, corrupt free, effective and efficient.

Through this approach, the data collected was based on the knowledge, attitudes and beliefs of people who expressed their thoughts based on their everyday experience, professional and social interaction and interpreted existing realities as they themselves constructed them (Sarantakos, 1998:36). It can be understood that the phenomena and realities under investigation could be construed as having a multiplicity of dimensions and layers, hence the strong possibility of the existence of multiple perspectives held by different individuals, with each of these perspectives potentially having equal validity, or truth (Creswell, 2007). The research thus seeks to acknowledge the existence of multiple realities in the organisation, to study and analyse them, reconstruct them, to avoid distorting them, and to use them as building blocks in theorising as well as practicing (Goldkuhl, 2012). Heyvaert, et al. (2013) have written that such mixed methods research can be applied at the primary empirical study level as well as at the synthesis level. In addition, Cameron (2011) has, through empirical studies, showed that mixed method research is a growing area of methodological choice for many academics and researchers from across a variety of disciplines and areas of inquiry.

The study is based on the attempt of the researcher to focus on the 'what' , 'how' and 'why' at the root of the research problem. Such a process is determined by a combination of theory and practice rooted in a 'pragmatic paradigm'. It places 'the research problem' as central and applies all approaches to dissecting and understanding the problem (Cameron, 2011:121). The paradigm is rooted in action and change, as well as the interplay between knowledge and action and their relationship. In the process of directing research efforts, it becomes instrumental in re-asserting itself through the exclusion of other paradigms and articulating the theories it already established in the process (Feilzer, 2010; Goldkuhl, 2012).

Sekaran and Bougie (2016) states that the key features common to all qualitative methods can be seen when these are contrasted with quantitative methods. Most quantitative data techniques are data condensers - they condense data in order to see the big picture. Qualitative methods, on the

other hand, are best understood as data enhancers. When data is enhanced, it is possible to see key aspects of cases more clearly.

4.3 CONTENT ANALYSIS

The content analysis qualitative approach is relevant for this study as it is used to analyse and review the policy documents, legislative measures and rules and regulations upon which the SCM and procurement system of the Institution is founded and operates, as well as to review and analyse the narratives of the interviews. Content analysis is a systematic coding and categorising approach used to explore large amounts of existing textual information in order to ascertain trends and patterns of words used, including their frequency, relationships and structures, contexts, and discourse of communication. (Krippendorff, 2012; Grbich, 2012). It provides the researcher with the opportunity to include large amounts of text information and analyse the content in a systematic way in terms of meanings, frequencies, keywords and comparisons (Wimmer & Dominick, 2005; Neuendorf, 2002).

Within this context, qualitative content analysis helps the researcher to 'summarise' words and sentences in a systematic way into 'compressed' content categories. This is based on a process of careful coding techniques based on explicit rules of coding (Roberts, 1997). Qualitatively, content analysis can involve any kind of analysis where communication content (reports, speeches, texts, interviews or images) needs to be classified and categorised. Answers to, for example, open-ended questions, strategic planning reports or media articles are studied, dissected and analysed systematically. In this sense, the researcher is able to draw key inferences from the text (Krippendorff & Bock, 2008).

4.4. FACE-TO-FACE INTERVIEWS

The interview schedule was open-ended and structured in accordance with the aims and objectives of the study. It started with a few non-threatening and easy-to-answer items, because it was felt that if the beginning was considered to be "difficult" or "threatening", then there would be little chance that the person interviewed would feel comfortable to respond (Burns, 2007).

An open-ended question gives the respondents the opportunity to express themselves in the way that they choose. Respondents have an opportunity to answer in their own words and have the freedom to express themselves openly and honestly. In this project in particular, open-ended questions gave the respondents the opportunity to elaborate on a key issue, one in which problems and challenges need to be tackled directly so that solutions can be sought in the most efficient, professional and effective manner (Creswell, 2007).

Closed-ended questions, on the other hand, were not utilised in the project as they basically seek quick and easy answers that might compromise the respondents' knowledge of a phenomenon under investigation. In most **cases**, this means that the detailed knowledge and information respondents possess is most likely compromised in the process of responding to the questionnaire. Closed-ended questions have a finite set of answers from which the respondent can choose, making them easy to standardise. Data gathered from closed-ended questions lend themselves to statistical analysis (Silverman, 2005).

Open-ended questions are preferable when dealing with sensitive topics because they permit creativity, self-expression and richness of detail, and reveal respondents' logical thinking processes and frame of reference (Sekaran & Bougie, 2016). An open-ended, qualitatively-based interview can be described as a major primary research instrument for this study because as the research process unfolded, it became evident that one-on-one interviews of managers operating within the system would be vital, despite the existence of secondary and primary documents produced by highly skilled and knowledgeable professionals, such as internal and external audits and forensic and other reports (Terrell, 2012:255-7; Denzin & Lincoln, 2003). This is because of their work experience, as well as their regulatory and on-the-job knowledge of the department's or section's strategic and tactical significance, and also of the department's SCM and procurement operational imperatives.

In contrast to questionnaires interviews provide a large and potentially unlimited information source because the interviewee can be probed further by the researcher to elaborate on issues that need further clarification, or expand on questions that seem narrow (Silverman, 2005). The sequence of the questions and the timing and recording of the discussion is of importance. Although it is a flexible process, there is still an underlying structure: an introduction followed by the opening question, the transition questions, the key questions and the ending questions, followed by the summary question (Stewart & Shamdasani, 1990). Interviews with senior managers in both parliamentary establishments/Houses elaborated on their experiences of the services provided by the Department. This added to effectiveness and efficiency of the research. Interview schedules appear at the end of the thesis.

In preparation, a questionnaire was first piloted amongst four respondents, aimed at measuring the reliability of the instrument prior to the main survey. The piloting enabled the researcher to alter and streamline some open-ended questions after determining the range of possible answers. It also allowed the researcher to perform a trial analysis of the data on a pilot sample.

4.5 ANALYSIS OF DATA

Data analysis is the process of looking at and summarising data with the intent to extract useful information and **to** develop conclusions. (Thorne, 2000). It has been argued that data analysis is the most complex and intriguing phase of qualitative research, but is the one that receives the least thoughtful discussion in the existing research-centred literature.

The challenge of analyses, which is usually the most testing phase of any research, has been captured by Remenyi's answer to the question of how difficult it is to turn the mass of the material into some logical, cogent and illuminating 'findings'. He expressed the view that through analysis, interpretations are needed, not answers (Remenyi, 2012). Thus, the results or findings are largely dependent on how the researcher interprets the set of the data that was specifically collected to achieve the objectives of the study.

As mentioned, this project's data analysis was based on the qualitative frame of reference. While the interviews took place, the researcher kept extensive notes. The same process was followed during the focus group processes. It is strongly believed that this process would be successful in gathering data revolving around knowledge of the environment, personal and professional experience, attitudes, opinions and ideas. This belief was based on the knowledge that the questions were set in such a way as to be directly related to all aims and objectives of the project. This means that the process of analysis was principally, but not exclusively, based on the categorisation of data as it appears in the context of the aims and objectives of the research.

Sarantakos (1998) argues that qualitative data is extremely varied in nature. It includes virtually any information that can be captured that is not numerical in nature. He also outlines some of the major categories entailed in qualitative data, e.g. interviews and direct observation. In-depth interviews include both individual interviews, as well as group interviews. The data can be recorded in a wide variety of ways including through stenography, audio recording, video recording or written notes. Silverman (2005) also points out that anything that is qualitative can be assigned meaningful numerical values. These values can then be manipulated to help achieve greater insight into the meaning of the data and to help the researcher examine specific hypotheses. It is with this in mind that the researcher opted to use both qualitative and quantitative methods, as the two methods complement each other. However, the qualitative method predominates and the quantitative is supplementary in nature.

4.6 OBSERVATION

While working directly with all sections within the department, it was important for participant observation to take place. This was supplemented by face-to-face interviews with key respondents. The participant observation took place in all sections and units of the department within the institution.

Direct observation differs from interviewing in that the observer does not actively question the respondent. It can include a variety of methods of field research, even to the extent whereby a researcher lives in another context or culture for a period of time to photograph or illustrate some aspect of that phenomenon. The data can be recorded in many of the same ways as interviews, as well as through pictures, photos or illustrations (Baxter & Jack, 2008:548-9).

4.7 FOCUS GROUP

The focus group is an integral part of the qualitative research method and is characterised principally by words, expressions and observations gathered by the researcher through noting the participants' expressions, knowledge, ideas, attitudes feelings, beliefs and their own experiences within an organisational environment or society as a whole. In many ways, a focus group is a carefully planned discussion on a defined area of interest in a permissive, non-threatening environment (Stewart & Shamdasani, 1990:12-13).

The aims and objectives, as well as the research design, play a role in the selection of the focus group, but it is widely acknowledged that usual focus group consists of between eight and ten persons, meaning that everyone gets the opportunity to express an opinion, interact and communicate on equal terms. Such a context demands the moderator/leader to be well prepared and rehearsed on the structure and details of the project at hand and exercise flexibility, tolerance, understanding as well as having mediation skills (Nachmias & Nachmias, 2008).

In many ways, it has been written that such groups are flexible because the researcher studies the subjects in a more natural setting than during a one-on-one interview, and this is a key reason why it is utilised extensively in a wide field of disciplines, such as public management, political science, anthropology, psychology, business science and market and marketing research, amongst others. It has been shown empirically that, combined with well-planned and designed participant observation, focus groups can be used for gaining access to various professionals and social groups, and is successful in raising a very wide range of social, organisational and business issues that have not been widely explored or studied (Marshall & Gretchen, 1999).

It needs to be said that the role of the moderator/researcher is significant, as the function associated with the guidance and control of the process is crucial in collecting the data in an impartial, honest, accountable and transparent way. This needs to be based on serious planning and selection of the group, the scripting of the interview and practice with managing small groups, the categorisation and segmentation of the data, the analysis, and the interpretation of the results (Wengraf, 2001).

One focus group took place, consisting of senior SCM officials in the Institution. This is a group that is tasked with moving the SCM function forward and it is important that they share their views, understanding and expectations. The focus group took place outside of the office and work hours and for ethical reasons no recording instrument was used. This process allowed participants to talk, communicate and interact freely while expressing their views openly and without fear or favour.

4.8 DOCUMENTATION

There are a number of primary and secondary data documents available dealing with a number of issues directly and indirectly related to the systems, functions, gaps, strengths and weaknesses of the SCM and procurement processes, departments and sections. Such documents **included** internal and externally commissioned audit reports dealing with strategic plans and SCM priorities and realities. These will be thoroughly scrutinised from a comparative perspective. This means that findings will be based on the same methodological empirical design, but on different and widely diversified sources of information.

4.9 SAMPLING FRAME

In research, sampling is a process and procedure utilised by the researcher to select an appropriate segment of a given and well-defined target population in the effort to collect the most appropriate data available. This means that the study is based on a relatively small part of a given population. It has been expressed that conclusions and generalisations are only as good as the sample they are based on (Silverman, 2005).

The population in this case is the total group of potential participants in whom the researcher is interested and the sample is a subset of this population. Samples can be derived by various methods. For this research, a mix of purposive and convenience sampling methods was used to achieve the research objectives of this study (Sunders & Mark, 2007). The fact that the researcher works in the same organisational environment and is aware of a number of the realities surrounding the topic, made the selection process much easier. The researcher was aware that the most appropriate type of sampling was the abovementioned non-probability sample method. This means that the

judgmental sampling technique was most appropriate as it allowed the researcher to utilise gained knowledge of the department/s and the sections in the sample selection. This reality allowed the researcher to use her own judgement of who was knowledgeable about the subject under investigation. Neuman (2003) has described this type of sampling as one based on the researcher's judgement or realities and circumstances; hence, the selection of the population reflects an important aspect of the research. Such a sample is chosen because the researcher has extensive knowledge and experience of the relevant characteristics of the population.

It needs to be mentioned that the results obtained from a judgmental sample are subject to some degree of bias, due to the frame and population not being identical. The frame is a list of all the units, items, or people that define the population to be studied (Battaglia, 2011). The key reasons for the selection of this type of sample can be gauged from the above description and given the already identified aims and objectives, as well as the questions that guide the project.

4.10 ETHICS

One of the key issues in this type of research, given the importance related to the institution called Parliament, is the researcher's commitment to be sensitive to the rights of others. The researcher had the permission of the institution's authorities before the study could be conducted because the targeted population included parliamentary staff members. Participation in this study was on a voluntary basis. There was no forced obligation for participants to participate in the study. Anonymity and confidentiality was guaranteed to all research subjects and it was maintained that only the subject could decide when and to whom to reveal personal information.

The researcher's aim and objective was the pursuit of discovering, assessing and analysing the realities of SCM. The project was based on honesty, truthfulness, and respect for human dignity of the researcher and the others. The researcher endeavoured to respect the subjects' privacy, dignity, historical background, culture and traditions.

4.11 CHAPTER SUMMARY

The case study is based primarily but not exclusively on the qualitative paradigm, whereby getting 'closer to the data' has been adopted as the optimal way to understand and analyse opinions, knowledge, ideas and perceptions. This was deemed preferable to utilising a quantitative/positivist paradigm. The research methodology was chosen based on the interpretive approach and was complemented by the exploratory approach. In the context of the case study, the judgmental

sampling frame was thought to be the appropriate non-probability method because of the historical and professional expertise of the subjects.

Focus group and personal interviews were chosen as the key data-collection instruments and data analysis was undertaken by the researcher during the scrutiny of all primary data collected, creation of themes and categories, coding, description, exploration of existing and hidden themes and possible re-coding. The highest ethical standards were applied during all stages of the research.

CHAPTER 5: THE SUPPLY CHAIN MANAGEMENT (SCM) SYSTEMS OF PARLIAMENT

5.1 INTRODUCTION

Currently Parliament has a decentralised supply chain management system. This system simply means that, even though there is a fully established centralised supply chain management section, sections or Departments in Parliament are still procuring their own goods and services. This sometimes results in non-compliance to the SCM policies of Parliament. The SCM Section is especially trained to manage all procurement related matters and centrally controls the supplier database. However, units do not always make use of suppliers on the database. Contracts are supposed to be managed centrally at SCM but, because of the decentralised SCM system, contracts are not handled only by SCM knowledgeable staff. This has proved to be a challenge in ensuring that the value of contracts awarded is not exceeded. This may also result in supplier performance not being properly managed.

The SCM policy approved by the Presiding Officers in 2009 did not cover the procurement system that talks specifically to the institution. It has a holistic approach as derived from the legislation governing procurement. The Financial Management of Parliament and Provincial Legislatures Act (FMPPLA), 2009 was passed in 2009. Chapter 6 of this act speaks to SCM matters. Section 40 of Chapter 6 states that the Executive Authority must prescribe in accordance with section 65, a supply chain management policy which -

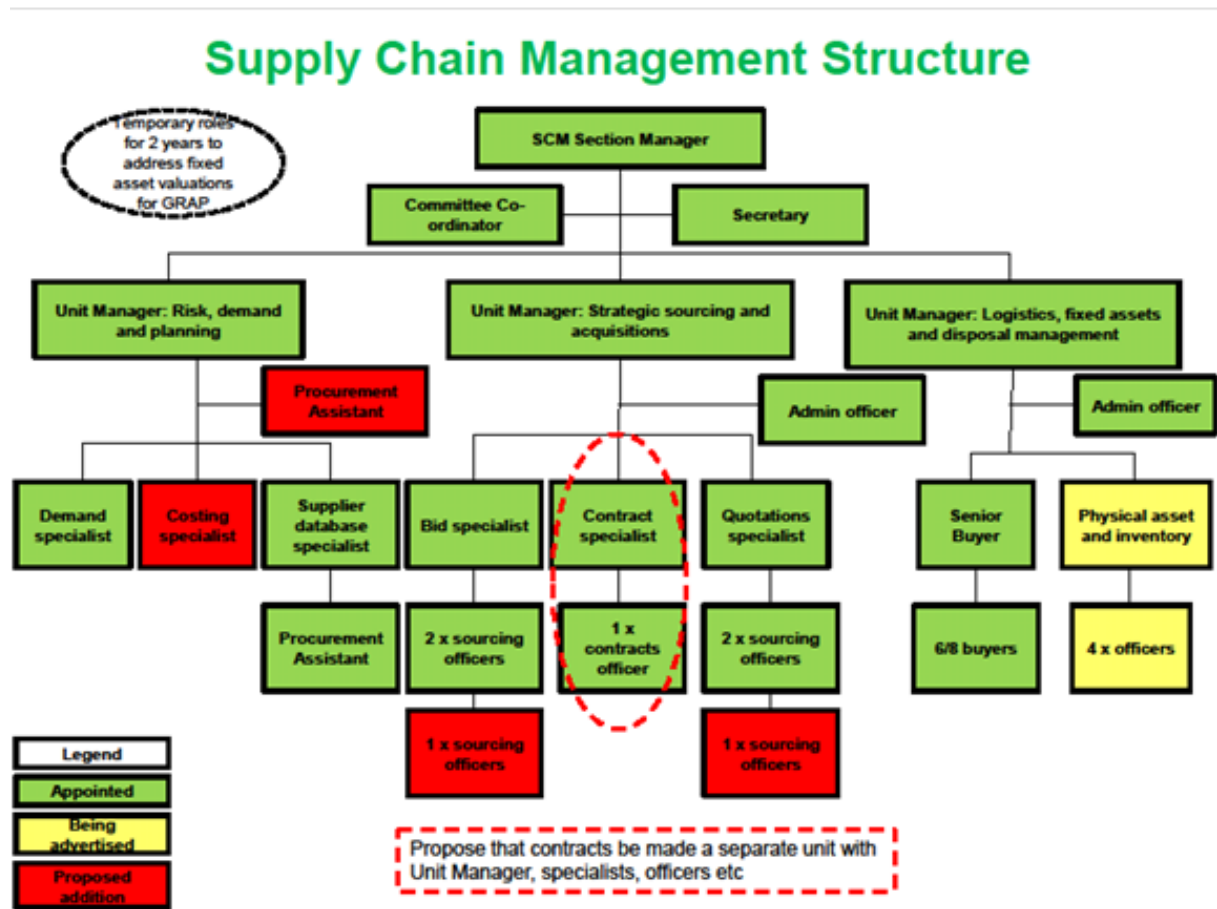
Establishes appropriate supply chain management processes and procedures including-

Demand Management, Acquisition Management, Logistics Management, Disposal Management;

Risk Management; and Regular assessment of supply chain performance, Complies with other applicable legislation; and Covers at least the matters specified in Schedule 3 of this Act.

Section 4 of the newly approved SCM Regulations, issued in terms of the FMPPA, 2009 (Act No 10 of 2009), is the tool used to implement this system. The SCM system discussed below is derived from the above mentioned pieces of legislation.

Figure 5.1: The Supply Chain Management Office and its structure (Ernst & Young, 2011 IFMEP Report)



Section 40 of the FMPPLA stipulates the appropriate SCM Policy, which should be characterised by equity, transparency and cost effectiveness, incorporate ethics and anti-corruption initiatives, including the fight against nepotism, conflict of interest, collusion, and wasteful expenditure. Section 40(d) demands that the Accounting Officer puts in place a complete list of appropriate SCM mechanisms, starting with demand management and concluding with Performance Management. Section 41 to 46 and Schedule 3 of the FMPA state that there is a need for the Accounting Officer to create proactive measures in the setting up of processes and functions that will safeguard the organisation from corrupt practices in the tender bidding and decision-making committees and ensure that legislation, rules and regulations are adhered to at all times. This means that the Accounting Officer ensures that MPs and MPLs do not participate or/and interfere in the SCM systems and procurement of Parliament and Provincial Legislatures

Schedule 3(l-n) states that there is a need for compliance with ethical standards through screening and security **clearance processes of prospective contractors**, including the disclosure of conflict of interest by either parliamentary employee or service provider, and stipulates the consequences for

non-compliance. Organisations with successful and effective procurement functions will have substantive to full compliance to legislation policies and procedures, a skilled and right-sized procurement team, improved cost-budget ratio, standardised procurement processes, central management of procurement, on-going procurement benefits tracking, and a strategic and proactive approach to procurement. Supply Chain Management consists of demand planning, acquisition, logistics, asset management and disposal.

5.2 DEMAND MANAGEMENT

Demand management is the system dealing with a specific need determined through proper planning for the goods or services according to the mandate and within the budget framework. Procurement plans are submitted to SCM. SCM then performs the following tasks:

- Analyses the procurement needs;
- Performs a spend analysis;
- Investigates optimal procurement methods;
- Matches procurement needs to the suppliers database;
- Makes calls for registration on the database for unmatched procurement needs
- Compiles the demand management strategy;
- Updates the suppliers database; and
- Draws specifications.

5.3 ACQUISITION SYSTEM

The acquisition system is the system through which procurement occurs. This system deals with the daily sourcing, bidding system, drafting and managing of contracts and service level agreements (SLA). This system also deals with the monitoring and management of supplier performance.

Contract management also falls under the acquisition system, as does management of the contractual aspects of the agreement in terms of agreed processes and terms and conditions.

Management of contract performance against a framework of predetermined and agreed KPIs; management of the supplier relationship; the ensuring of a robust exit, and any renegotiation plans also fall under the same system.

5.4 LOGISTICS

Logistics is the system of placing of orders as planned, including prompt payment of suppliers with supporting documentation and review of supplier performance. All procurement must have a purchase order (PO). A PO is only printed when:

- All documents on the procurement checklist are attached;
- Invoices are captured against existing POs;
- All documents from the requested memo to invoice are sent to the **finance section** for payment, keeping in mind that only invoices with confirmed receipt the by user, must be paid.

Once payment is made, all supporting documents must be sent for filing at **the** Documents Section.

Disposal is a process which an institution follows to get rid of unserviceable, redundant and obsolete goods, by the Assets Control Team. These must be referred to the Board of Surveys which is appointed by the Secretary to Parliament, for its consideration. A Board of Surveys will recommend the disposal of these redundant or obsolete good to the Secretary to Parliament. In their recommendation the auctioning of these goods is always a last option, the preferred route is to identify schools who can make use of these goods especially if it is computers and furniture. All disposals should be approved by the Secretary to Parliament.

5.5 RISK MANAGEMENT

Risk Management is the identification, sourcing, measurement, evaluation, mitigating and monitoring of risks. Risk management exists to discuss and raise concerns amongst all levels within the SCM to avoid deviation from the above processes and to update the Risk Management Strategy of the organisation. Risks can be at an operational level or with performance of service providers. SCM should conduct their own internal risk assessment and management and this process can be incorporated into the demand management meeting where procurement needs are analysed.

Following this, the identified risks will be incorporated into the risk management strategy of Parliament. This assessment should be conducted at least annually.

5.6 SUPPLY CHAIN MANAGEMENT PERFORMANCE

Supply chain performance management entails retrospective analysis which aims to determine if the proper supplier management is an integral part of the supply chain, and the overall business vision and strategy. Supply chain management, must support the vision and strategy of Parliament. An organisational design that fully leverages all options will create an optimal solution to meet the organisations strategic needs. The current decentralised SCM in Parliament, is not as effective as it is supposed to be. Collaborative procurement is required in order to leverage on economies of scale and discounts for volume buying, and to reduce the cost of doing procurement.

5.7 THE SUPPLY CHAIN MANAGEMENT COMMITTEE SYSTEM SECTION 41

Section 41 of the FMPPLA states that the Accounting Officer must establish a SCM Committee system in Parliament to provide for committees that are responsible for the specifications of the bidding, those who undertake the process of evaluating through the use of specific criteria, and the committee that adjudicates.

5.8 BID SPECIFICATION COMMITTEE (BSC)

The Bid Specification Committee's function starts with the compilation of the exact details and particularities of each bid. The process is determined by Rules and Regulations that guarantee a process devoid of bias, which allows all future service providers an equal opportunity to be an integral part of a transparent function.

Understandably, such a process is based on a careful examination of rules and standards and cost factors . It is through these processes that the determination of the final decision of the bid is founded. The relevant personnel are also obligated to determine and apply the legal and regulatory dictates in regard to the **Preferential Procurement** Regulations, functionality, criteria and points. When these processes are completed, assessed and evaluated, the document is handed to the Accounting Officer (AO) for inspection and comment before publicly releasing the invitation.

5.9 BID EVALUATION COMMITTEE (BEC)

The BEC must:

11. Interrogate the specification where the tender documents stipulated criteria for a functionality test, in so far as it is possible.
12. In this process, there should be appropriate price calculations, designated application of the conditions, procedures and factors **outlined in the Preferential Procurement Regulations, as well as the assessment and evaluation of the steps undertaken.**

5.10 BID ADJUDICATION COMMITTEE (BAC)

The BAC must:

1. Consider the recommendation to award from the BEC;
2. Deliberate on the evaluation report;
3. Call on the BEC Chairperson and Technical Advisor should a need for clarity arise;
4. Recommend or not recommend to the Secretary to Parliament for his approval.

5.11 THE ICT SYSTEM ORACLE (PARLIAMENT'S ERP SYSTEM)

Purchases Orders issued to suppliers and service providers are created via the Oracle ERP system. Procurement spend reports as well as supplier payment reports can also be retrieved from the system. In addition, monthly SCM reports are derived from the same system. Where there are contracts, the system creates purchase orders against contracts.

5.12 THE SCM OFFICE AND ITS STRUCTURE

The SCM Section is led by a Section Manager assisted by four (4) unit managers. There is a travel manager, responsible for the travel agencies and the all travel-related matters in Parliament. This Manager currently performs alone in this role. The Strategic Sourcing and Acquisition Manager is responsible for daily sourcing, bidding, contracts and supplier performance. This incumbent manages a staff comprising of three specialists, five officers and one administrator. The Logistics Manager is responsible for logistics which include the raising of purchase orders, on time delivery of goods and services and the payment of suppliers. There is one controller, five buyers and two administrators.

The Demand and Costing Manager is responsible for managing the demand and costing for Parliament, which includes the putting together of procurement and acquisition plans. The incumbent manages two specialists and one officer. The Demand and Costing unit is tasked with ensuring that the procurement and acquisition plans are in place and they are aligned to the approved budget for the financial year. The strategic sourcing and acquisition unit is responsible for procurement of goods and services for the entire institution. Currently there are only three (3) sourcing officers that have been appointed. This is the main reason why the institutional procurement processes are still decentralised. Currently the daily volumes are high and the same sourcing officers are expected to also source for Parliament's programs in support of Parliament's strategic objectives.

The above structure is a proposal by one of the audit firms, however not all positions have been filled, especially on the sourcing side. The audit firm proposed that a contracts stand-alone unit must be established. There has been no progress on this as of yet.

The institution's current contract management system is decentralised. The SCM Section manages the bulk of the contracts; however, there are some enabling and service contracts that are within the units and managed by the Project Managers. This has caused challenges, especially in ensuring that the award values of contracts are not exceeded. An additional challenge is managing and ensuring that service providers and suppliers comply with the service level agreements.

5.13 DECENTRALISATION

A decentralized procurement system that is currently in place in Parliament requires that the officials sourcing goods and services in the business units must understand the SCM regulations and other statutory requirements regulating SCM. The procurement process exposes them to procurement risks such as bribes, corruption, fraud, collusion and other combative practices by service providers, since they have not received training to deal with them. This further negatively affects the institution since valuable resources employed to perform specialist functions such as research, legal services, protocol, etc. end up splitting their time to perform procurement functions. Parliament has also been experiencing a considerable amount of irregular, wasteful and fruitless expenditure over the past financial years. Some of these cases have been condoned by the Secretary to Parliament. These cases are mainly due to procurement without tax clearance certificates, procuring using expired contracts, procuring outside (disregarding) valid contracts, failure to acquire a minimum of three quotations, and procuring without prior authorization. Due to the decentralized system, there is no control of what is communicated to service providers as there is no single point

of contact. As a result of this, the institution may be exposed to reputational risks and litigations from service providers due to process that are unfair, uncompetitive and prejudicial.

5.14 CENTRALISATION

Centralisation will be more of benefit to Parliament than Decentralisation. Centralised sourcing will improve the turnaround time of procurement. As soon as the requests are received via the central Request for Quotation (RFQ) email, they will be recorded and assigned accordingly to each sourcing officer allocated to each section. The performance of suppliers will be monitored from a central point. Contract Managers will be allocated a number of contracts to manage. Relationship between Parliament and suppliers will improve in that monthly meetings will be coordinated from a central point. Irregular expenditure will reduce drastically because approvals will be obtained before any sourcing is done. Market research will be done to understand the supply market, pricing models, commodity characteristics, etc. in order to procure quality goods and services and to determine the best procurement methods for different commodities.

5.15 SUMMARY

The chapter summarised the Supply Chain Management (SCM) System of Parliament and its various sections in considerable detail. This chapter details the systems and processes that are in place in the institution. It also shows that these systems are not fully functional because the supply management of Parliament is not controlled and managed from a central position. This is a specialised area and it requires a specialist to work in it. The Researcher is also of the view that there has been an improvement especially in areas where qualified buyers have been deployed. The political environment has also contributed to non-compliance with the SCM processes. Political decisions keep changing and by so doing time to follow a procurement process is compromised. The decentralisation method has also resulted in using the same suppliers without rotation. This function resides in SCM and it is only the SCM officials who have access to this database. The improvement cannot be ignored. This has resulted in Parliament getting two clean audits in succession. This is a compliment to SCM officials who are working under challenging conditions to ensure that the institution complies with SCM Rules and Regulations.

CHAPTER 6: ANALYSIS OF DATA

6.1 INTRODUCTION

This chapter will identify and present the strategic documents that ensure that Parliament meets its mandate as the 'people's parliament'. It also conveys the findings and analysis of the collected data.

6.2 1ST AUDI SUPPLY CHAIN MANAGEMENT PROJECT

In 2011, an audit firm was appointed to assess, review and make recommendations for the establishment of an appropriate SCM unit that would be in a better position to support the Members of Parliament in executing their duties. The project attempted to analyse the financial environment of Parliament with regard to the implementation and optimisation of the ERP system and propose to implement the solutions aimed at improving the Finance, Supply Chain and Human Resources environments (Ernst & Young, 2011).

The appointment was based on the premise that organisations with successful and effective procurement functions would have substantial to full compliance to legislation, policies and procedures; skilled and right sized procurement teams; improved cost-budget ratio; standardised procurement processes; central management of procurement; on-going procurement benefits tracking; and a strategic and proactive approach to procurement. Ernst & Young's 2011 key findings indicated at the time that the SCM is not a system-driven process and, although some system integration exists, it is still very paper-driven. Current processes focus very much on acquisition management and very little on demand and other key aspects of the SCM processes.

There was evidence of increased risk relating to the following:

- Loss of information;
- Duplication of input/work, tracking challenges, and limited control and reporting capabilities in the procurement process;
- Lack of a systematic and automated workflow process throughout the SCM processes;
- Lack of understanding of the differences between sole provider and preferred service provider during the quoting process leading to irregular expenditure; and

- All procurement powers given only to the Accounting Officer.

A need to build a credible SCM capability serving the needs of all stakeholders was identified; the credible SCM capability will ensure that:

- Procurement plans are linked to the budget, which included the needs assessment and availability of funds;
- Demand planning are in place to ensure available resources to meet the delivery needs;
- Acquisition planning are in place to avoid irregular expenditure;
- There must be a Logistical supply management so as to get goods where they are required;
- The management of assets must be in place and that includes Asset Management System; Sound disposal planning and management;
- Risk management becomes integral part of the system; and
- There must be procurement targets to meet BBBEE objectives.

6.3 2ND AUDIT FIRM S APPOINTMENT, ASSESSMENT AND REPORT

The 2nd audit firm's starting point (KPMG, 2013) starting point was the assessment of the people, process and technology aspects. Through close collaboration with all stakeholders, the future state of supply chain management operations was being designed and a roadmap established in order to achieve this desired state, as follows:

Step 1: Organise Current State of Supply Chain Operations.

Step 2: Develop Future Supply Chain Model.

Step 3: Develop Roadmap

6.4 LESSONS LEARNT

Centralisation exercises differ vastly from organisation to organisation depending on several factors, such as:

- The maturity of the SCM environment.
- The maturity of the entity as a whole.

- Large scale changes underway in the entity's degree of automation.

In a recent centralisation exercise for an oil and gas entity in the private sector, the execution phase took eighteen months, despite the fact that the system and business case was already in place prior to commencement of the exercise. For an entity in the public sector, a full centralisation exercise with system roll-out took four to five years to complete (Uyarra, & Flanagan, 2009:13-14). The reports and some of their recommendations were based on issues raised and debated in the 4th Parliament Strategic Plan of Parliament, 2009-2014 (RSA Parliament 2009). Centralisation of supply chain management may differ from organisation to organisation however it is still the best way to go. It allows for a proper risk management. It gives an opportunity to develop the employees working in that environment. These employees' focus is mainly on ensuring that goods and services are obtained on time without compromising the quality. Because this exercise is performed by specialists, rules and regulations are adhered to. Prices are negotiated, relationships are established with suppliers, suppliers are developed, contracts are monitored and managed properly there is less irregular and wasteful expenditure and professional secretariat service is afforded to all the SCM Committees.

6.5 INTERVIEW RESPONSES

The interviews conducted amongst the various employees of Parliament confirm the strategic position of SCM in any environment. These interviews were conducted with a mixture of employees and it was important that similar questions be asked in order to understand the overall thinking of various officials working within and **outside** of the SCM environment.

The same officials are important stakeholders in the institution. There were also members of the Bid Evaluation Committee and a member of the Bid Adjudication Committee that were interviewed together with **the** SCM employees and strategic partners to SCM. The analysis of the responses in the personal interviews follows.

Does Supply Chain Management (SCM), in your opinion, give the services expected from the section?

In response to the question there was an unanimous affirmative response, which was accompanied by a number of comments that praised the professionalism of the section's management, while others bemoaned what they described as 'constraints' in the staffing of the department.

Does SCM Unit plays a visible role in supporting the strategic objectives of Parliament?

In response to this **question**, a senior manager was unsure as in his opinion the **SCM** section is not allowed to play a visible role in supporting the strategic objectives of Parliament. It might well be that the Section's objectives are aligned but, due to the multiple reporting lines, the support is not visible enough. Another three managers, however, believed that the management of the SCM processes is directly responsible for the attainment of a several unqualified audits **including** the clean audit **obtained** for the 2014/15 financial year.

The SCM Unit plays a secretarial role in all the SCM Committees, do you believe that the staff is capacitated enough to play this role?

There was unanimity amongst the respondents that the staff is adequately capacitated - from the logistical/administrative arrangements to the provision of advice and guidance, the sections provide training courses to empower and up-skill the staff to be competent in performing secretariat duties to **the** SCM Committees.

Currently, the SCM environment is decentralised. Is this route working for you or would you propose a different route, e.g. a centralised environment?

There were differences of opinion regarding **this** question. One senior manager (**sm**) proposed a mixture of the two; namely that the procurement of goods and services of a certain amount (e.g. R30 000 and above) be centralised at **the** SCM Section, and the procurement of goods and services of lesser amounts be decentralised. **The SM** indicated that this opinion was based on the fact that there are current capacity constraints. It was felt that it would be good if empowerment opportunities continued to be provided to staff members doing some of the SCM functions within various divisions.

Another manager answered that centralisation is not ideal because only SCM practitioners have the necessary expertise to procure. However, due to the amount of requests, SCM is currently understaffed to cope with Parliament's demand. Two other managers supported the decentralised route because it ensures that the business units are driving the SCM demand and they involve SCM in their procurement of goods and services. This avoids the hands-off approach where SCM would be blamed for any delays. It is believed that the current system works very well and it is preferable as line managers are now empowered to be involved in the procurement of goods and services, making it easier for them to manage the contracts and their financial resources effectively and efficiently.

Are the current controls enough to curb corruption?

There were also different responses to this question. Two of the managers answered in the affirmative, stating that all the committees are independent of each other and any collusion would need an extensive network through all the SCM committees.

Two others reacted negatively. One of them indicated that issues such as current controls have not been in place and that these issues are never discussed in staff meetings. The manager mentioned that because the procurement issues are not discussed in staff meetings, it is only when staff is involved in some procurement exercise do they get advice on the 'proper' way of doing things. The other manager pinpointed that a 'lot' must still be done, but he believes that once the organisation centralises its SCM, things will improve.

How involved is the Internal Audit in the SCM business of Parliament?

There was an array of opinions in response to this question. One of the managers was not sure about the issue while another interviewee stated that the Internal Audit is part of the process from **start-to-end** as it provides another layer to the independent scrutiny of the SCM process. An audit report is compiled independently of the evaluation report for each procurement.

Another manager simply stated that the Internal Audit should prepare SCM for the Auditor-General, but their lack of involvement means that they are often vulnerable to the AG's findings, which could have been avoided. This opinion was supported by another interviewee who mentioned that their involvement is limited to providing assurance that proper processes were followed when they do their internal audit.

Is it critical for Parliament to have an SCM Section?

This question found overwhelming support. The first respondent indicated that it was critical because the SCM function has become a highly specialised area of work in the modern corporate environment. This is coupled with an increase in the volumes of items that are procured for the efficient running of organisations in general, and of Parliament in particular. It is thus critical that the supply chain process be managed in terms of the SCM **policies** and **legislative provisions**. It was stated that the National Assembly (NA) Table staff, for example, are employed for rendering specialised support in the area of parliamentary procedure. By definition, parliamentary procedure as relates to the National Assembly has nothing to do with Parliaments administration and financial management systems. The nature and the volume of the work involved does not allow for the Table section to have a fully-fledged supply chain management section, even if it was possible to have such a Section within the establishment of the NA Table.

Further, it would not be financially prudent if the NA Table, and/or any other Division in the institution were to have a fully functional SCM Section. Another interviewee supported the existence of the department because it fulfils the requirements of Section 217 of the Constitution, as well as Chapter 6 of the Financial Management of Parliament Act, while a third agreed because SCM is here to ensure that the procuring of goods and services is fair and transparent. It was stated that Parliament would not deliver on its strategic objectives with procuring **goods** and services and without the SCM section and MPs would not perform oversight duties without SCMs involvement. For these reasons, SCM is crucial for Parliament to succeed in its mandate and vision.

The last respondent in the group supported the existence of the SCM department because it is the support function that provides technical advice on all procurement of services and goods. This section places a crucial role in **the** overall sourcing and supply of goods and services, training of line managers and staff in respect of the SCM process and safeguarding Parliament's financial resources by ensuring that procurement is in line with the **FMPPLA** Act and its regulations.

What, in your view, would cause SCM to delay in finalising their procurement processes?

There were a wide variety of responses regarding this question. One of the interviewees indicated that the lack of training and/or refresher training for staff outside of the SCM Section was a key issue. This was, the respondent felt, because most staff members in Parliament, certainly in the NA Table, are recruited and employed to provide specialised work for Parliament but as soon as they are employed staff are required to undertake procurement-related duties without any training or background in the area of SCM. Related to this, the respondent described insufficient communication and lack of updated information between the SCM Section and the rest of the institution as key issues. If, for example, some improvement initiatives are put in place in the SCM Section and the institution is not informed, the impact will be that officials do things according to the 'old' ways, and documents are returned to procuring units, thereby losing valuable time.

It was felt that this relates to delegations of authority. If the managers at different levels do not urgently consider and respond to requests to procure goods and/or services, this causes undue delays **in the SCM** process. The same manager felt strongly that the institution is not yet conversant with the financial management processes and policies that have been put in place. For example, Divisions are required to produce monthly expenditure forecasts and also reports on any variances that have occurred. However, there appears to be no consideration **for** these forecasts and the purpose that they serve in the financial management of the institution.

Finally, it is believed that the head of the SCM Section in Parliament is not provided with the opportunity to perform as a specialist whose advice is appreciated at a high level. The impact of this in finalising procurement processes is that procurement decisions are stalled in the offices of the leadership of the organisation, even though the advice of the SCM Section is unambiguous and in line with legislation and policy.

Another interviewee emphasised unclear or incomplete specifications from the business units as causes for the delays, coupled with unclear or unrealistic criteria for evaluation. Other problems mentioned were elaborate requirements and unavailability of funds. The other two respondents indicated that **the** approval of SCM Committees and availability of Committee members for meetings are two main causes for delays, coupled with shortage of staff and unavailability of panel members **for the various committees within the SCM system.**

Is SCM better placed under the Finance Management Office (FMO) or would you propose a different reporting line?

There were differences amongst the interviewees in response to this question. In one manager's opinion, considering the level of work done by the SCM Section in Parliament coupled with the staff required to optimally provide efficient support, it would be best if Supply Chain Management were to be separated from the FM office for a number of reasons. This means that it is a reality that the FMPPLA enjoins the Secretary to Parliament to establish the SCM function, its systems, processes and functions. This could create problems and challenges because all the principles and details must be incorporated within the SCM establishment and this will lead to a number of serious repercussions, because the SCM establishment would be too large for management under the umbrella of FMO. Such a reality could lead to organisational complications, the SCM structure would fall directly under the STP's reporting line as in the case of the National Treasury.

The same position was repeated in a number of occasions.

Two of the other managers believed that, due to its dependence on budget availability, SCM is better placed under finance or together with finance. Another manager believed that SCM should preferably be separated from the FMO. This will be in line with good governance practices of separation of powers. Currently, the CFO can procure goods and make payments as these functions lie under his control. They need to be separated. **Another respondent** believed that this Section could standalone and report to the Deputy Secretary Support Branch.

There are different consultants that have been appointed to assist in putting processes in place in the financial environment, have these interventions brought improvement in the environment?

There was unanimous response in relation to the question. The general consensus was that very minor improvements have been realised from these consultants. The feeling was summarised by one of the respondents when he said:

"Not much. I personally do not believe in consultants. Their intervention in our environment did not have the same impact I would have expected from experts. I would have expected them to improve our systems and how we do things to ensure that we finalise processes quicker than before, but that has not happened".

6.6 INTERVIEW WITH THE CHAIRPERSON OF A KEY SCM COMMITTEE

This Chairperson of a key SCM Committee responded to a specialised set of questions related to **the Chairperson** duties and responsibilities because of the importance of **the** portfolio. The responses were as follows:

In many institutions, SCM is now led by a Chief Procurement Officer, would this bring a better change to the environment?

The answer here was 'no' because such a move would have negative consequences for the smooth operations of the Department and the relevant sections.

Most employees do not want to serve on SCM Committees, what do you think could be the reason for this?

The answer was that they are not rewarded for participating in them and also the issue of corruption and the required security clearance. It was believed that this was a problem because there was mistrust amongst staff in relation to some committees that were considered 'sensitive' within the department.

If you were to be appointed as a BEC Member, which role would you prefer: Chairperson, Scoring Member or Technical Advisor, and why?

The manager indicates he would prefer to be a Scoring Member-Chairing because it has more responsibilities attached to it.

Are there enough controls in the SCM environment?

The manager answered negatively to the question but refused to provide reasons for the response.

In your view, is the current SCM staff capacitated enough?

Again, the manager answered negatively to the question but refused to elaborate.

What else would you propose for consideration in order to have a world-class SCM Section?

The answer was that the SCM Section should stand on its own and not report to the CFO because of a number of reasons, such as its importance in the function of Parliament, its autonomy would not be compromised, and it would 'stay out of the politics'. **The Chairperson** refused to elaborate on the last point.

Where do you see SCM Section, five years from today?

The answer was that it would probably be a division and e-procurement would be fully implemented.

What in your view is the cause of the delay in implementing the consulting firm's recommendations?

The senior staff member indicated that he knew nothing about the consulting firm's recommendations, as he was not notified of the results.

Do the SCM Committees assist in fast tracking the procurement of goods and services?

There was a positive answer to the question but no elaboration.

As a former SCM Committee member, what memory do you have during your time?

He indicated that he became aware of most projects/activities taking place in Parliament.

6.7 THE FOCUS GROUP

The focus group essentially revolved around issues raised by the findings of the audit companies and consultants employed; hence, this was the first issue raised and debated. There was an agreement on the part of those involved in the group that during the audit on the use of consultants it was identified that the contract between Parliament and the consultant did not include a transfer of skills clause. This was the first issue that was raised because the rules and regulations provided by the

Treasury were clear on this and it was an obligation on the part of consultants appointed to capacitate the SCM-identified staff members.

It was also identified that Parliament used the same service provider for a period of a few years until 2014 and it was generally felt that Parliament would continue to rely on the work of consultants to discharge its responsibilities, as consultants are not held responsible to transfer skills to parliamentary employees.

The group agreed that, during the audit by one of the firms, it was observed that all the asset queries relating to the reconciliation of the fixed assets were referred to the audit firm's seconded-staff. The members of the group were in agreement that the Accounting Officer did not communicate procedures and processes that govern the appointment of consultants in order to ensure maximum benefit was obtained from their appointment and skills were transferred to Parliament staff so that their own staff would be equipped to perform these functions.

There was general consensus that senior management should ensure the supply chain management policy or human resources plan specifically addresses the appointment of consultants in order to ensure that the main purposes and objective for appointing consultants is defined. These objectives should include transfer of skills to ensure efficient and economic use of resources and to avoid continual reliance on the consultants.

Following a discussion in the group it was the generally view that contracts less than R10 000 should not be approved by the Governance and Assurance Committee (GAC) but rather by the Controller/Unit Manager. The group was of the opinion that the intention is to test the business' ability to comply without the GAC. Eventually, it was believed the GAC should only approve exceptional cases below R500 000 with the Controller/Unit Manager approving the procurement spend. These are ideas and opinions that were debated seriously in the 2013-2014 Annual Performance Plan of Parliament without decisions being made (Annual Performance Plan of Parliament, 2015).

The implementation and roll out of a Source-to-Pay solution can be a tough reality, although the ERP system has demonstrated an ability to meet the business requirements. However, the reality is that there are other systems available that are in use in the public sector and some comparative research can show the differences, challenges and opportunities of these for the Parliament SCM section.

The centralisation over a three-year period from October 2011 to September 2014 with actual centralisation of the business units from April 2013 to September 2014 created problems as the

Source-to-Pay system is selected and implemented. This meant that the SCM needed more staff to be able to manage centralisation and there were instructions that bid committees should be cross-functional and constituted on a bid-by-bid basis.

However, there were a number of agreed successes in the system, such as 91% finalisation of all terms of references (TOR) submitted, while a number **TOR's** were withdrawn by the ICT Division to make improvements on the specifications. 100% of supplier applications captured (349 suppliers were added to Parliament's Supplier Database).

The group was of the view that a more comprehensive draft or interim SCM Policy is required so that the Treasury and the AG audit regulations are adopted from time to time . The group was also of the view that the same could be true with SCM Regulations that are detailed and clear, and that a separate contracts unit is required to provide due attention to strategic and operational elements of contracts management.

The existence of a service level agreement (SLA) is needed, as it is a separate document to a contract, and details the work, timelines, and deliverables in a service contract. It was agreed that, should changes be required to an SLA, no legal vetting is necessary provided the terms of the contract are not altered. The contents of a service level agreement can be found within the body of a contract and if changes are required then Legal Services will need to revisit the contract.

6.8 THE INTERVIEWS

Out of all the responses received, the following were the responses that captured the researcher's interest in terms of understanding and interpretation. The Researcher is of the view that the SCM Section is performing well within the constraints of human resources applicable to the Section. There was a general feeling that the Section could provide much more efficiently if human resources were improved.

All respondents do not believe in consultants for their own reasons, either through their personal/professional experience or because they were not satisfied with their services during their reign and work at the institution. It was strongly felt that their intervention in the parliamentary environment did not have the same impact one would have expected from experts. It could be said that the expectations of reputable companies to improve the existing systems, functions and processes that could improve the services offered were never fulfilled.

This is the general view of SCM professionals at the institution, because they believe strongly that Parliament would not deliver on its strategic objectives without professional procuring services and goods. MPs would not perform oversight duties without SCM's involvement; hence SCM is crucial for Parliament to succeed in its mandate and vision.

It is evident that there is lack of training and/or refresher training for staff outside of the SCM Section. Most staff members in Parliament, certainly in the NA Table, are recruited and employed to provide specialised work for Parliament, but as soon as they are employed, staff are required to undertake procurement-related duties without any training or background in the area of SCM.

Insufficient communication and lack of updated information between the SCM Section and the rest of the institution creates serious problems. If, for example, some improvement initiatives are put in place and this is not communicated, there will be no change in the processing of requests to procure goods and services. This relates to delegations of authority. New delegations have been approved, however they have not been implemented yet and there has been no communication in that regard.

The responses show how passionate the managers are about the SCM unit. This is because of the nature of support this function provides to the entire institution. It is also interesting to note that the views are different; however, one thing that the respondents agree about is the strategic position of this unit and how Parliament is unable to function without it. On the decentralisation system, the researcher noted how responses differ from one unit to the other. Others are comfortable with the decentralisation and others are feel very strongly that centralisation must happen without wasting any more time.

There has been clear agreement in terms of the re-thinking, planning and implementing of Risk and Demand Management based on clear specifications and research that will be followed by the development of fresh terms of references based on the experiences of the past.

Underlining a number of the responses emanating from interviewees is the view that there is a need to clean up the vendor master file. It is believed that this will lead to an improvement of the vendor management processes. A number of the responses also pointed to a necessity for an annual asset verification and coordination, which is directly related to the performance of a full fixed asset count and the subsequent reconciliation of the information heritage asset database with the database of the ERP System database. These are directly related to the analysis and comparison of databases and ERP System register and more importantly with the Operational Objective Performance Indicator for a specific financial year.

6.9 SCM IN PARLIAMENT: THOUGHTS, DISSECTION, FUNCTIONS, CHALLENGES AND INTERPRETATION

It can be understood that the strategic role played by SCM in any environment cannot be underestimated. As Larson (2009) indicated, in comparative terms, the fact that citizens are the key clients of the public administration system basically means that its supply chain and procurement system is more complicated than one in the private sector. This means that such a system could be considered even more complex in the case of the National Parliament, which is not even regarded as government or part of the public sector, but as the country's law-making institution.

The supreme law of the country regarding goods and services, the Constitution indicates that goods and services must be procured in equitable, fair and transparent manner at all times. This clearly means that the system must be applied in such a way as to also redress some of the imbalances of the past. This means that procurement is regarded as a system that the government uses in order to address the social, economic and political needs and there are laws, rules and regulations in place to govern this procurement.

The key question to be asked is whether these laws are applied effectively enough. It is an ideal time for managers to stand back and relook at the effectiveness of SCM. Enporion (2009) states that a centralised supply chain organisation should be able to leverage spending. This means that those days when government's procurement was not concerned about saving are over.

6.9.1. The Problems and Challenges

In the 2013, 2014 and 2015 State of the Nation Addresses, the President of the country has been very clear about the fact that government does not have enough money. The same attitude has been expressed by all Ministers of Finance in the budget speeches of the recent past, when they made it clear that there must be a radical cut in spending by all spheres of government. The researcher is of the view that, in this regard, Parliament must lead by example.

It has been shown that the current SCM structure is so limited that centralisation under this structure cannot be done at all. Currently, each unit is at liberty to source on its own. This poses a risk in that suppliers that are not in the SCM's database are used. This kind of procurement can be manipulated and allow an official to use certain suppliers only. This cannot be traced immediately as per the (PPPFA) Regulations of 2011, as scoring of points is only done for commodities or services above R30 000. Procurement above R30 000 gets sent to the sourcing team at SCM for them to

apply the preferential points. The risk is therefore too high on procurement that is below R500.000. The focus and better controls are pitched at tender values above R500 000.

With the current number of sourcing officers and the volumes of 93 procurement requests below tender value, mistakes in calculations cannot be avoided. The role of administration is to give support to Members of Parliament (MPs). When MPs are on recess in their constituencies, this is the period where core business may have a breathing space. However, this is not the same with support services, under which SCM falls. The requests coming from the business for procurement under tender value may reduce; however, there might be an increase in the requests for tenders and contracts. This is the time when the section must ensure that goods and services are in place so that when the MPs return from recess, everything is in order.

The system used for this type of procurement is completely different in that it flows via the SCM Committee system. This is the system that entails all the Bids Committees that consider specifications, evaluation of bids and recommendation to award. This system sounds very easy and efficient, however it has its challenges. These committees cannot sit to consider any matter if there is no quorum. Officials serving in these committees are drawn from specialist and managerial levels of various units within the organisation, with the implication that they may not be available when required to meet as they have their main jobs to do and thus serving on these committees may not be a priority for them. The key performance indicator (KPI) to award a tender is 90 days, calculated from the day of advertisement. Therefore, unavailability of these members indicates that tenders cannot be awarded on time and meaning that contracts will not be in place in time for MPs to fulfil their oversight role.

The ERP system currently used in Parliament, is unable to give the information and reports that the section is required in the form it is wanted. This could be because the module is incorrect or not correctly managed. This may result in a qualified audit opinion from the AG if not carefully managed. For instance, when the Auditor-General's (AG's) team requests the contract's total spend per financial year, this report cannot be drawn immediately. It takes a week or more than the three days turnaround time to give information to the AG.

Due to this, extra time is normally requested from the AG. The reason could be that the information is incorrectly punched into the system or the information is incomplete. This information is crucial in ensuring that there is no overspend in the contract value and that the spend is accurately monitored. The system has improved, though, in that the Project Managers are now able to get system generated alerts six months before the contracts expire and these alerts get issued on a

weekly basis. This assists in ensuring that the procurement process is initiated on time to avoid contract extensions. Parliament, has in the past been found wanting by the AG because of this. A contract extension, is most times, a clear indication that, even though Parliament SCM policy and Regulations allows for such an extension, the extension cannot be allowed to continue forever, and it will be seen as unfair to other competitors.

Parliament's strategic objectives require the proper functioning of the Committee section. This section in Parliament is tasked with supporting the Committees and its Chairpersons. Because of their oversight function, the Committees are required to be in a province on time without delays. This then requires that all flights, transport, accommodation for both the MPs and Officials are organised on time. As the identification of areas is a political decision, these decisions get made at the last moment and thus require urgent procurement of goods and services. This function requires a seasoned procurement professional, especially because timelines are tight. The decentralisation of procurement does not allow the Committee officials to effectively perform these functions. Unless there is a special delegation, this procurement may result in irregular expenditure because of tight deadlines. Irregular expenditure is the procurement of goods and services without an approval by a delegated authority.

The observation and study of key relevant documents has revealed that for each Parliament term, projects and programmes are identified and subsequently these involve huge sums of money'. Despite the efforts of those involved in its planning and implementation the level of participation has not been successful.

Given their unique nature and different characteristics, provinces require different forms of programmes. Once a province and a municipality are identified, the procurement processes start. The reality is, however, that this process is not always easy as it sounds because political programmes can never be straightforward as they involve citizens of the country. This means that there is always a change in political decisions and these changes cannot be avoided. Such realities affect the timeous delivery of goods and services and when delays occur this means deviation from normal procurement processes must be applied. This method is not preferred in that the SCM Regulations are very clear in stating that the emergency method can only be applied at high-level circumstances, which include reasons such as death or decorum of Parliament. The Auditor-General has always found Parliament wanting in respect of this method, its planning and implementation.

The *Taking Parliament to People*" Programme is more complicated in that the goods and services can only be requested from local suppliers who may not be compliant with the SCM legislation. Only

a procurement expert is able to deliver under these circumstances and this also can be affected by late, or change of decisions. The public to be catered for is a number of 10 000, excluding MPs, Government Officials and VIPs. Because of this number, a number of service providers/suppliers must be appointed to cater, transport people and to provide marquees and other services, depending on the area. This function cannot be performed by a novice and it also cannot be decentralised. It needs a centralised SCM unit with highly specialised personnel. The same applies to the public hearings that get conducted by the Standing Committees of Parliament in various provinces, where the same decision to use local suppliers is applied. This includes the use of local taxis. It is only a procurement expert who is capable to deal with this kind of procurement, where political decisions are made and or changed at the last minute and where political decisions are to use only local suppliers... The projects for each Parliament follow a different route.

There is a Project Management Unit that is established to manage all projects in the organisation. Each Project Manager gets allocated a number of projects that they must take care of. In most cases, each project involves serious amounts of commodities and services of high monetary value. These projects get procured via the SCM Committee system of Parliament. These may not be concluded in time as committee members may not be available for the meetings as scheduled. Even though these meetings have been scheduled a year in advance, they can get cancelled at the last minute due to the unavailability of some members. In this instance, only consolation is that there is a knowledgeable SCM official deployed to this unit. However, this one official is not enough because of the number of projects, hearings and events that get allocated to this unit.

In terms of the significance of cooperative governance, the goods and services required here are very straightforward because most times it is the meetings of the three spheres of government. The goods and services required here are generally only flights, transport and accommodation, which includes meals. Parliament has a contract with three service providers who are able to procure these services on behalf of them. However, this does come at a cost. Even though these enabling contracts are in place, there is a manager from SCM whose sole responsibility is to manage these travel agencies to ensure that there is management control and monitoring of performance. This service is also decentralised in that each unit is able to procure direct from the travel agencies.

The strategic objective of elevating international cooperation also involves, an increasing volume of international travelling by various political and international relations offices. This therefore **means there must be a** procurement of travelling services including flights, shuttles, accommodation and meals. The units deal direct with the travel agencies. This service is also decentralised. SCM gets

involved in monthly meetings between Parliament and the travel agencies. This is managed by a manager who is part of the SCM Management team, and the role of this procurement cannot be underestimated.

The current decentralised method, if not managed or controlled properly from one place, can be abused or manipulated. This means that the little that is supposed to go to communities can be misdirected into the wrong hands because of little or no controls. This at times is not as a result of corrupt minds but that of officials doing what they are not trained to do. The AG's occasional negative findings on SCM matters could have been avoided if contracts were managed centrally and if procurement was done by a procurement expert or from a centralised point.

There is a multimillion contract that has been managed out of the SCM environment for years and the service level agreement and performance of the service provider was managed from a different unit. The status quo is still the same but the difference is that the audit finding opened everybody's eye in that the tender was advertised nationally and even though the same service provider was appointed again with another service provider, at least others were also given a fair opportunity to tender. An audit firm was appointed to look into the then SCM environment and make some recommendations. It was recommended that a special governance committee be established to consider all procurements below R500 000 flowing from all units because of the decentralised procurement in Parliament.

One of the recommendations that they were made were to centralise all contracts and have an established contract unit. This recommendation has not yet been implemented. This unit still has a Contracts Specialist and an officer and between them there are presently more than fifty-three contracts to be finalised in the near future. A comparison was done and it was discovered that in a government department and a metro municipality, one contract specialist takes care of ten contracts. Comparing the complexity and the nature of contracts in Parliament, it is not surprising that in all the AG findings there must always be a matter of emphasis on contracts.

The second audit firm was appointed and one of their recommendations was to minimise the number of recommendations flowing via the Governance Committee and limit them to R10 000 and above. Another recommendation was once again to have an established contracts unit. This shows the importance of establishing a stand-alone contracts unit. This accounting firm also recommended a three-year phase of centralisation, starting with the units that procure in high volumes.

The Annual Procurement Report (2014) shows the high volumes of procurement spend in Parliament. In one financial year, twenty-six bids were advertised, twenty were awarded, five were cancelled and one was withdrawn. The same report shows that an amount of R320 192 264.86 was spent and this amount only **refers** to the purchase orders raised.

6.10 CONCLUSIONS AND RECOMMENDATIONS

The recommendations that are proposed by the researcher are based on her experience of being part of the SCM team in Parliament for the past ten years, as well as the debates, responses and analysis of data in the present thesis. The Audit Reports of 2013, 2014 and 2015 years have also contributed to these recommendations. The strategic objectives of Parliament need to be achieved and that is not negotiable. In all the AG's reports it is evident that the matters of emphasis that are in the audit reports, emanate from the fact that decentralised procurement environment in the institution. This is the reason why Parliament has not been in a position to escape the qualified opinion until 2006 when the first unqualified audit report was received for the first time since the dawn of democracy. One of the best control in the SCM environment is to work in a centralised environment where relevant policies reside. One of the major causes of deficiency within the SCM environment, is the decentralization. This is the method that is used by various institutions including Parliament. The Researcher would like to mention that as much as the SCM environment is decentralized in Parliament, there has been an improvement in ensuring that the SCM unit is able to play its strategic support without compromise. With the existing decentralised SCM environment, the SCM support to the events and projects of Parliament has been exceptional.

Decentralisation means that every office is able to procure its goods and services. This may result in procedures not followed properly because the people who are trained to procure reside in the SCM office. When procedures are not followed properly, this may result in awards made incorrectly. This may also lead to irregular expenditure. This may also lead to qualified audit opinions.

In the conclusion and summary, the Researcher has shown that these objectives can only be achieved with the implementation of identified projects and programmes. These projects and programmes, in their various forms, involve high volumes of procurement. Both accounting firms

that were appointed to improve the financial environment, including the SCM Section, have made several recommendations that are relevant to the better understanding and functionality of the Institution. Most of these recommendations have been implemented, however the results are not easily visible because of the decentralised state. The Researcher would therefore recommend the following:

13. A fully functional contracts unit be established as this will ensure that competent people are employed to manage all contracts in Parliament. This decision will free the hands of other employees and assist them to perform duties that they are employed for.
14. The SCM Section should become fully capacitated with seasoned procurement experts.
15. Units with high volumes of procurement need to be identified and competent employees be deployed to those units.
16. Centralisation needs to be implemented with immediate effect; however, this must be done gradually. The deployment of these experts will assist in ensuring that the units are complying with the procurement processes.
17. The ICT ERP system needs to be re-examined, assessed and evaluated. The contracts module is either not fully functional or another can be procured.

Centralised procurement must be implemented with immediate effect.

18. Parliament must be given access to the National Treasury Central Supplier database.
19. Relook at having SCM as a stand-alone division and appoint a Chief Procurement Officer (CPO) who will be wholly dedicated to the SCM division.

20. The function of the SCM Committee Members must be included in their performance contracts for consideration of proper remuneration and proper accountability.
21. Training, Up-skill and capacity building initiatives of all SCM employees but these initiatives must be tailor-made for Parliament.
22. The SCM Specification, Evaluation and Adjudication Committees should ideally have 5 members, even numbers do not provide the benefit of a deciding vote in the event of the lack of consensus
23. Cross functional skills are required, particularly Business Analysts and Demand & Costing in order to develop quality Terms of Reference and to avoid cancellation of bids
24. Additional resources will be required by SCM to successfully implement centralization. This is due to \pm 50% of sourcing that is currently done by some business units for events, Committees oversight visits. Also, the majority of SCM Practitioners are not commodity specialists, that is they are not Specialists in ICT - Travel related services, communications, advertising, professional services etc. which are amongst the highest spend items in the Demand Plan/ budget.
25. It is proposed that resources be transferred to FMO from relevant Business Units, where high demand of goods and services are required, and where its technical in nature, i.e. Committees, events procurement in NA, NCOP, ICT, HR related, etc. Additional resources will be properly trained and capacitated in relevant SCM legislation and systems. This proposal does not require additional budget for staff as staff are currently budgeted for under Cost Centre of Business Units
26. The Human Resources Executive should assist the SCM section to source suitable graduates from tertiary institutions with relevant qualifications and skills who will be capacitated on SCM and other internal training programs driven by HR and ICT. A Total number of at least 10 graduates will be required for a 36 months period. The risks associated with this proposal is lack of budget and duration of the resources required over a longer period
27. Purchasing of proper systems, i.e. Sourcing solution and contract management systems, on-line travel warrant activation on Oracle, to compliment the work to be done by staff will ensure greater efficiency measures in the process.

- 28.** The capacitation of all the seconded staff members from the various Business Units in all aspects of SCM before implementation. Training will amongst other things include systems training (Oracle), on the job training on SCM Regulations, processes and procedures, supplier database training, i-procurement training and formal training on SCM to be presented by a training institution.
- 29.** HR department must identify and recommend appropriate internal resources in Parliament that can be trained and reskilled in SCM related matters.

APPENDIX A

INTERVIEWS CONDUCTED ACROSS PARLIAMENT WITH SENIOR MEMBERS OF THE SCM AND PROCUREMENT DEPARTMENT.

1. Is supply chain management (SCM), in your opinion, able to give the services expected from the section?

2. Does SCM play a visible role in supporting the strategic objectives of Parliament?

3. The SCM plays a secretarial role in all the SCM Committees, do you believe that the staff is capacitated enough to play this role?

4. Currently, the SCM environment is decentralised, is this route working for you or would you propose a different route, e.g. a centralised environment?

5. Are the current controls enough to curb corruption?

6. How involved is Internal Audit in the SCM business of Parliament?

7. Is it critical for Parliament to have a SCM Section? Please elaborate

8. What in your view would cause SCM to delay in finalising their procurement processes?

9. Is SCM better placed under **the** Finance Management Office or would you propose a different reporting line?

10. There are different consultants that have been appointed to assist in putting processes in place in the financial environment, has these interventions brought improvement in the environment?

APPENDIX B

INTERVIEW QUESTIONS WITH CURRENT BID EVALUATION COMMITTEE FORMER CHAIRPERSON AND CURRENT ORDINARY MEMBER

1. In many institution, SCM is now led by a Chief Procurement Officer, would this bring a better change to the SCM environment?

2. Most employees do not want to serve in SCM Committees, what do you think could be the reason for this?

3. If you were to be appointed as a BEC Member, which role would you prefer, Chairperson, Scoring Member or Technical Advisor and why?

4. Are there enough controls in the SCM environment?

5. In your view, is the current SCM staff capacitated enough?

6. What else would you propose for consideration in order to have a world class SCM Section?

7. Where do you see SCM Section, 5 years from today?

8. What in your view is the cause of the delay in implementing the consulting firms recommendations?

9. Do the SCM Committees assist in fast tracking the procurement of goods and services?

10. As a former SCM Committee member, what memory do you have during your time?

REFERENCES

- Ambe, I.M. & Badenhorst-Weiss, J.A. 2011a. An exploration of public sector supply chains with specific reference to the South African situation. *Journal of Public Administration*, 46(3):1100-15.
- Annual Performance Plan of Parliament 2015 Annual Performance Plan of Parliament 2013-2014.
- Annual SMS and Procurement Report 2014 Annual SMS and Procurement Report 2013-2014, Cape Town.
- Baily P 2008 *Procurement Policies and Management* , NY: Prentice Hall.
- Bajari, P. and Tadelis, S. (2006) Incentives and award procedures: competitive tendering vs. negotiations in procurement in N. Dimiri, G. Piga and G. Spagnolo (eds) *Handbook of Procurement*. Cambridge University Press.
- Battaglia, M.P. 2011. "Nonprobability Sampling". *Encyclopedia of Survey Research Methods*. 2008, London SAGE.
- Baxter, P., & Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers . *The Qualitative Report*, 13(4), :10-28.
- Beamon, B.M. Supply chain design and analysis:: Models and methods. *International Journal of Production Economics*. 1998, 55, 281-294.
- BCBS (Basel Committee on Banking Supervision) (2003:1-2) Sound Practices for the Management and Supervision of Operational Risk (Basel, Switzerland: Basel Committee Publications, Feb. 2003), 1.
- Bless, C. and Hingson-Smith, C. 1995. *Fundamental of social research methods: An African perspective*. Kenwyn: Juta.
- Boateng, D. 2008. Government service delivery lies in supply chain management, not centralised procurement, smart procurement. Available from: www.smartprocurement.co.za (accessed on 10 February 2012).

Bolton, P. 2006. Government procurement as a policy tool in South Africa. *Journal of Public Procurement* 6(3):193-217.

Booth, C. 2010 *Strategic Procurement* , NY: Kogan Page.

Burns, D. (2007) *Systemic Action Research: A Strategy for Whole System Change*. Policy, Bristol.

Cabrales,, A Lavado , A & Cabrera, R 2008. Managing Financial diversity risk taking and incentives for radical innovations *R& D Development* 38(5): 81-92

Cameron, R., 2011. Mixed methods research: The five Ps framework. *The electronic journal of business research methods*, 9(2), pp.96-108.

Chang, M.-H.;Harrington, J.E., Jr. Centralization vs. Decentralization in a Multi-Unit Organization: A Computational Model of a Retail Chain as a Multi-Agent Adaptive System. *Management Science*. 2000, 46, 1427-1440.

Chen, J.-M.;Chen, T.-H. 2005 The multi-item replenishment problem in a two-echelon supply chain: the effect of centralization versus decentralization. *Computers & Operations Research*. 2005, 32, 3191-3207.

Chopra S and P. Miendl, 2003 Supply-Chain Management: Strategy, Planning, and Operations, 2nd ed., (Upper Saddle River, New Jersey, Prentice-Hall, 2003).

Creswell, John W. (2007). *Research Design Qualitative and Quantitative Approaches*. CA: Sage.

Denzin N.K. Lincoln Y.S. 2003. *Collecting and interpreting research qualitative materials*. Second edition. SAGE publications. Thousand Oaks.

Duan, Q.;Warren Liao, T. Optimization of replenishment policies for decentralized and centralized capacitated supply chains under various demands. *International Journal of Production Economics*. 2013, 142, 194-204.

Emmett , S 2008 *Excellence in Procurement* , Cambridge Academic Press.

Emmett S 2010 *Excellence in Service Procurement* , Liverpool University Press.

- Enporion Inc. March, 2009 from <http://www.enporion.com> (Accessed 12 June 2015)
- Ernst & Young, 2011 IFMEP Report , Cape Town
- Fawcett, S.E., Ellram, L.M. & Ogden, J.A. 2007. *Supply chain management - from vision to implementation*. Upper Saddle River, Pearson Prentice-Hall.
- Feilzer, M.Y., 2010. Doing mixed methods research pragmatically: Implications for the Rediscovery of pragmatism as a research paradigm. *Journal of mixed methods research*, 4(1), pp.6-16.
- Goldkuhl, G., 2012. Pragmatism vs interpretivism in qualitative information systems research. *European Journal of Information Systems*, 21(2), pp.135-146.
- Grasman, S.E., Faulin, J., Lera-Lopez, F. (2008). Public-Private Partnerships for technology growth in the public sector. IEEE International Engineering Management Conference, Cape Town.
- Grbich, C. 2012. *Qualitative Data Analysis: An Introduction*. Singapore: SAGE.
- Heyvaert, M., Maes, B. and Onghena, P., 2013. Mixed methods research synthesis: definition, framework, and potential. *Quality & Quantity*, 47(2), pp.659-676.
- Hoffmann P Schiele H, Krabbendam K 2013 Uncertainty, supply risk management and their impact on performance *Journal of Purchasing & Supply Management*, 20(3)
- Hommen, L., & Rolfstam, M. 2009. Public procurement and innovation: Towards taxonomy. *Journal of Public Procurement*, 9(1):17-56.
- KPMG , 2013 , Report to National Parliament , Cape Town, June
- Krippendorff, K. 2012. *Content Analysis: An Introduction to Its Methodology*. USA: SAGE Publications.
- Krippendorff, K and Bock, M A (2008). *The Content Analysis Reader*. Thousand Oaks, CA: Sage.

Larson, P.D. 2009. Public vs private sector perspectives on supply chain management. *Journal of Public Procurement* 9(2):222-47.

Lee, J.H.;Kim, C.O. Multi-agent systems applications in manufacturing systems and supply chain management: a review paper. *International Journal of Production Research*. 2007, 46, 233-265.

Lzzini D Longoni A Moretto A Federico Caniato F 2013 Organizing IT purchases: Evidence from a global study *Journal of Purchasing & Supply Management* 20(4).

Mantzaris E and Pillay P 2013 Risk Management in the Procurement Process , ACCERUS , School of Public Leadership , University of Stellenbosch

Marshall, C. and Gretchen, B. R. 1999. *Designing qualitative research*. 3rd Ed. London: Sage Publications.

Mouth, J. 2010. *Questionnaire construction: a guide*, New York: Longmans.

Nachmias, C. F. and Nachmias, D. 2008. *Research methods in the social sciences: (7th ed.)*

New York: Worth Publishers.

Neuendorf, K. A. (2002). *The Content Analysis Guidebook*. Thousand Oaks, CA: Sage.

Neuman, W.L. 2003. *Social research methods: Qualitative and Quantitative approaches*. 5th Edition. USA: Allyn & Bacon.

Nikolopoulou, A.;Ierapetritou, M.G. Hybrid simulation based optimization approach for supply chain management. *Computers & Chemical Engineering*. 2012, 47, 183-193.

Pauw, J.C. & Wolvaardt, J.S. 2009. Multi-criteria decision analysis in public procurement - a plan from the South. *Politeia*, 28(1):66-88.

Pauw, J.C. 2011. Public procurement and supply chain management. Study Guide, programme in Public Procurement and Supply Management. Pretoria, South Africa: Centre for Business Management, University of South Africa.

Public Sector Supply Chain Management Review 2015 at <http://www.treasury.gov.za> (Accessed 19/8/2015).

Remenyi, D. (2012). *Field Methods for Academic Research: Interviews, Focus Groups and Questionnaires* (3rd Ed), UK: Academic Conference Limited.

Republic of South Africa. 1996. The Constitution of the Republic of South Africa, 1996(Act No.108 of 1996). Pretoria: Government Printers.

Republic of South Africa, Preferential Procurement Policy Framework Act, 2000) Act 5 of 2000) , Pretoria : Government Printer.

Republic of South Africa 2003 Broad Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), Pretoria.

Republic of South Africa, 2009 Financial Management of Parliament Act, 2009, No 10 of 2009.

RSA Parliament 2009 The 4th Parliament Strategic Plan of Parliament, 2009-2014, Cape Town .

Roberts, C W. (1997). *Text Analysis for the Social Sciences: Methods for Drawing Inferences from Texts and Transcripts*. Mahwah, NJ: Lawrence Erlbaum.

Saharidis, G.K.D.; Kouikoglou, V.S.; Dallery, Y. Centralized and decentralized control policies for a two-stage stochastic supply chain with subcontracting. *International Journal of Production Economics*. 2009, 117, 117-126.

Sarantakos S. (1998). *Social Research*. (2nd Edition). China: Macmillan Publishers.

Sartor M , Orzes G, Nassimbeni G, Jia F , Lamming R 2013 International purchasing offices: Literature review and research directions *Journal of Purchasing & Supply Management* 20(1)

Schuh C 2009 *The Purchasing Chessboard: 64 Methods to Reduce Cost and Increase Value with Suppliers*. Springer, Berlin Heidelberg.

Sekaran, U., and Bougie, R.J. 2016. *Research Methods For Business: A Skill Building Approach*, UK: John Wiley & Sons.

Silverman D. 2005. *Doing qualitative research. A Practical handbook*. Jay Gubrium, University of Florida.

Smart Procurement. 2011. SA public procurement: poor value for money. Available from: www.smartprocurementworld.com (accessed on 10 February 2016).

Stadtler, H. Supply chain management and advanced planning--basics, overview and challenges. *European Journal of Operational Research*. 2005, 163, 575-588.

Stewart, D. W. and Shamdasani, P. N. 1990. *Focus groups: theory and practice*. Thousand Oaks: Sage

Strauss, A. and Corbin, J. (1998. *Basics of qualitative research: Techniques and procedures for developing grounded theory* (2nd ed.) Thousand Oaks: Sage.

Sunders D and Mark E (2007) *Research Methods: An Advanced Guide*, N.Y.: Wardsworths

Supply Chain Management Regulations 2014, Cape Town.

Terrell, S.R., 2012. Mixed-methods research methodologies. *The qualitative report*, 17(1), pp.254-280.

Uyarra, E. & Flanagan, K. 2009. Understanding the innovation impacts of public procurement. Manchester Business School Working Paper, No. 574. Available at: http://www.mbs.ac.uk/research/working_papers/ (accessed on 19 January 2012).

Varma, V.A.;Reklaitis, G.V.;Blau, G.E.;Pekny, J.F. *Enterprise-wide modelling & optimization-An overview of emerging research challenges and opportunities. Computers & Chemical Engineering*. 2007, 31, 692-711.

Wan Weele A 2009 *Purchasing and Supply Chain Analysis, Strategy and Practice* , 5th Edition , EMEA.

Wengraf. T. 2001. *Qualitative research interviewing: biographic narrative and semi-structured method*. London: Sage Publications.

Wimmer, R D. and Dominick, R. (2005). *Mass Media Research: An Introduction*, 8th ed. Belmont, CA: Wadsworth.

Woods G and Mantzaris E 2012 Anti-Corruption Reader, ACCERUS , School of Public Leadership, University of Stellenbosch.